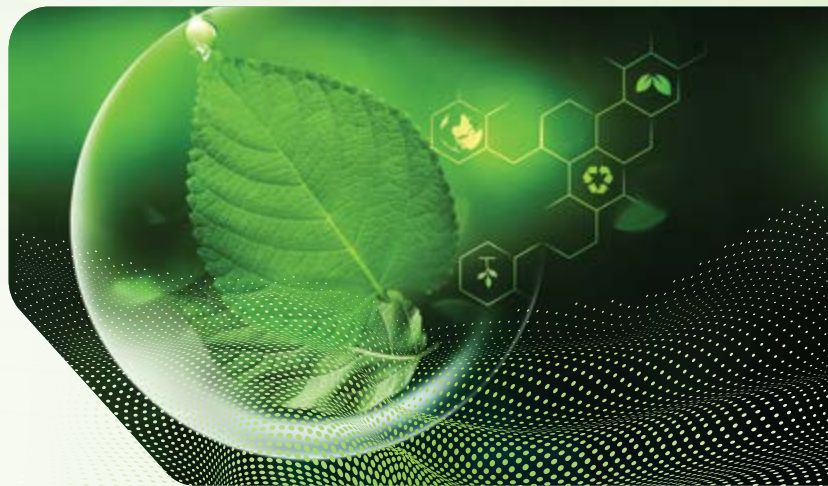


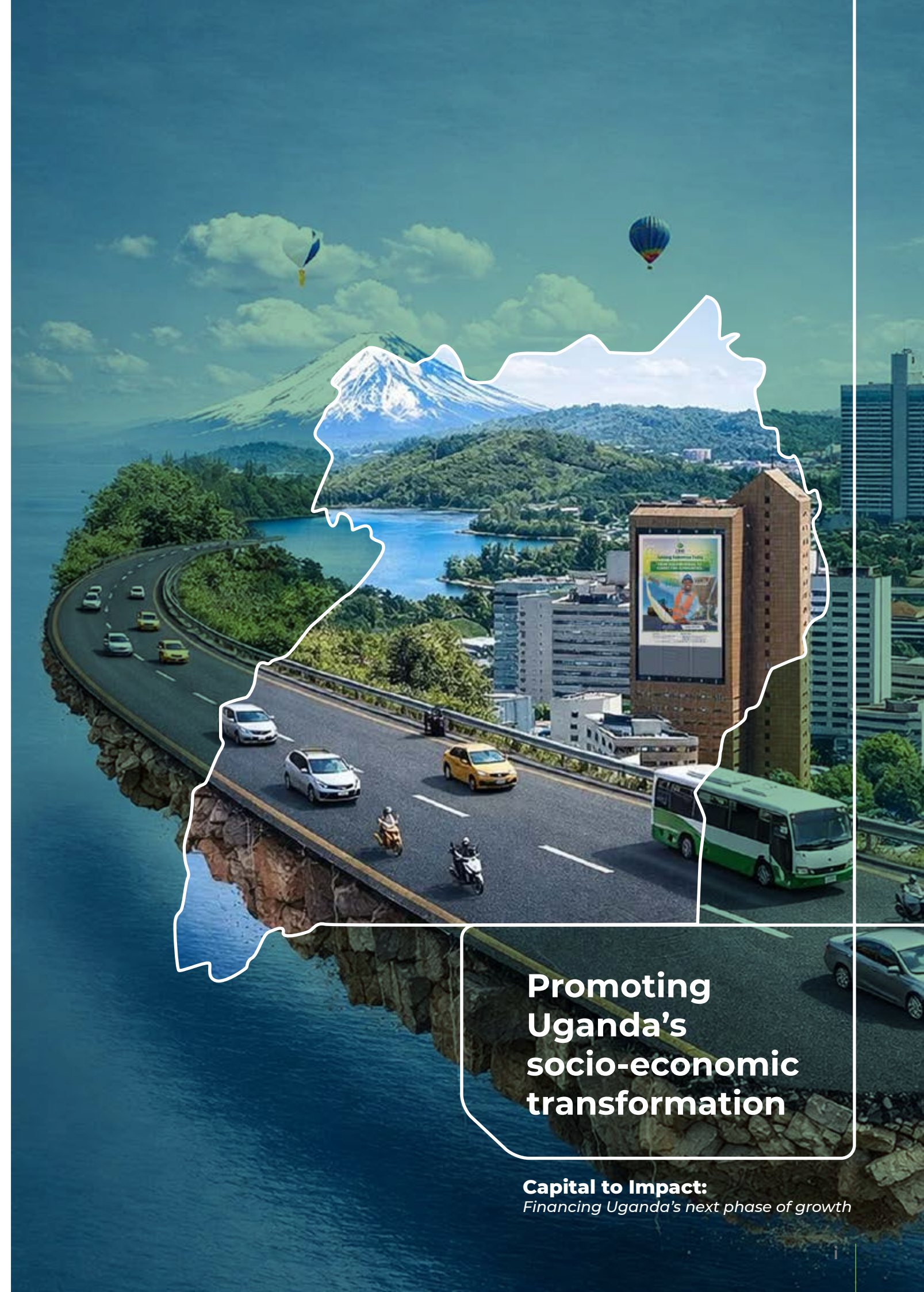


ANNUAL REPORT 2025

Capital to Impact:

*Financing Uganda's next
phase of growth*

INSIDE COVER



**Promoting
Uganda's
socio-economic
transformation**

Capital to Impact:
Financing Uganda's next phase of growth



Uganda Development Bank (UDB) won the **Outstanding Business Sustainability Achievement Award** in the Karlsruhe Sustainable Finance Award 2025.



Award to Uganda Development Bank for supporting Rubanga cooperative to enhance coffee value addition and export.



Awarded to Uganda Development Bank by Bank of Uganda in recognition of UDB's contribution in facilitating the uptake of the Agricultural Credit Facility (ACF)



The Bank's Managing Director, Dr. Patricia Ojangole was awarded the **Banker of the Year** at the 2025 African Banker Awards

Fitch Ratings

AA+ (Uga) National Long-term Rating with a Stable Outlook, the highest feasible notional scale rating for UDB whose external rating is pegged to Uganda's national scale.



UDB retained its **Level 5 Certification** under the Sustainability Standards and Certification Initiative (SSCI)

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Definitions

VALUE OF OUTPUT:

This is the market value of all goods and services produced by the UDB funded projects during the financial year.

TAX CONTRIBUTION:

Refers to the annual direct taxes paid by funded projects in form of corporation tax.

FOREIGN EXCHANGE EARNINGS (Forex):

Refers to the foreign currency generated by funded projects expressed as Uganda Shillings equivalent. The foreign currency generated includes earnings arising from the export of goods and services.

JOBS CREATED AND MAINTAINED:

Refers to the total number of permanent and temporary workers employed by funded projects and are paid a wage or income.

PROFIT FOR THE YEAR

Annual income statement profit attributable to ordinary shareholders, minorities and preference share- holders.

RETURN ON ASSETS:

Earnings as a%age of total assets.

NET INTEREST MARGIN:

Net interest income as a percentage of annual gross interest on loans.

YIELD ON LOANS:

Total interest income as percentage of annual average total loans.

DEBT TO EQUITY RATIO:

Total debt as a%age of total equity.

NET ASSET IMPAIRMENT RATIO:

Provision for credit losses per the income statement as a%age of closing net loans and advances.

COST-TO-INCOME RATIOx:

Operating expenses, excluding provisions for credit losses, as a%age of total income.

Abbreviations and Acronyms

AADFI	Association of African Development Finance Institutions
AfDB	African Development Bank
AGM	Annual General Meeting
BADEA	Arab Bank for Economic Development in Africa
BARC	Board Audit and Risk Committee
BASE	Business Accelerator for Successful Entrepreneurship
BCC	Board Credit Committee
BSPC	Board Strategic Planning Committee
BEIC	Board Equity Investment Committee
DFI	Development Finance Institution
EDP	Enterprise Development Programme
E&S	Environmental and Social Management Framework
EOSD	European Organization for Sustainable Development
ERM	Enterprise Risk Management
ESMS	Environmental and Social Management Systems
EU	European Union
EVP	Employee Value Proposition
EXCO	Executive Committee
GDP	Gross Domestic Product
ICT	Information and Communication Technology
ISDB	Islamic Development Bank
MD	Managing Director
NDP	National Development Plan
SME	Small and Medium Enterprise
SSCI	Sustainability Standards and Certification Initiative
STI	Science, Technology and Innovation
UDB	Uganda Development Bank Limited
UNCDF	United Nations Capital Development Fund
UGX	Uganda Shillings



“Uganda Development Bank (UDB) was borne out of the realization that Uganda needed to take charge of its own socio-economic transformation. What is yours is more in your control. That is why I wanted UDB. Managers of Africa's economies must have vision and integrity. If you have those two, chances are good you may do something. The African middle class does not understand savings. It is better to starve and plant than to eat the seeds. The teeth of the unwise eat the seeds and smile at the garden because they have nothing to plant.”

H.E Yoweri Kaguta Museveni's remarks at the Uganda Development Finance Summit 1 September 2025.

Foreword from the Minister of Finance

It is my honor to present the Annual Report of the Uganda Development Bank Ltd (UDB) for the year ended 31 December 2025.

The Government of Uganda remains committed to advancing sustainable socio-economic transformation in line with Vision 2040 and the National Development Plan. Uganda Development Bank Ltd continues to play a pivotal role in this journey by providing long-term financing that supports industrialization, value addition, and private sector development.

During 2025, the Bank registered strong growth, supported by increased capitalization, deployment and effective resource mobilization. This enabled UDB to expand its investment portfolio and scale its interventions across priority sectors of the economy.

UDB scaled up its financing to enterprises across the country, reaching more businesses, districts, and communities than ever before. Through both debt and equity financing, the Bank supported a diverse range of enterprises from established firms to innovative early stage ventures in areas such as industrial production, digital platforms, and green mobility. These interventions not only expand Uganda's productive capacity but also position the country to harness emerging opportunities in technology and sustainability.

A significant share of financing was directed towards agriculture, agro-industrialization, and manufacturing key drivers of employment, export growth, and structural transformation. Investments in services such as tourism, education, and health also contributed to strengthening human capital and enhancing economic resilience.

Through innovative delivery models, including partnerships with cooperatives, farmer groups, and digital platforms, UDB has enhanced access to finance for underserved communities, particularly smallholder farmers, youth, and women. Beyond financing, the Bank strengthened its



non-financial interventions through enterprise development and capacity building programs aimed at improving business readiness and sustainability. Its targeted support to SMEs and special interest groups reflects Government's commitment to inclusive growth.

I also commend the Bank for its leadership in sustainable finance, particularly its efforts to mobilize and deploy climate finance and support environmentally responsible investments. These initiatives are critical to ensuring long-term resilience and sustainable development.

Looking ahead, the Bank's new strategic direction towards a more proactive, demand creation strategy will further deepen its development impact. The Government's 10-fold growth strategy is anchored on transforming Uganda into a modern, industrialized, and export-oriented economy, and this ambition requires strong, targeted financing mechanisms. UDB plays a central role in this journey and therefore, strengthening its capacity and reach remains a key commitment for government.

I extend my appreciation to the Board, Management, Staff, and all partners for their continued dedication. Together, we shall build a resilient, inclusive, and prosperous Uganda.

Matia Kasaija

Message from State Minister for Investment and Privatization



Uganda Development Bank Ltd continues to play a central role in advancing the country's investment and privatization agenda.

As a national development finance institution, the Bank provides patient and catalytic capital that is critical for unlocking private sector potential, strengthening domestic production, and enhancing the overall competitiveness of Uganda's economy. Its interventions are instrumental in bridging financing gaps and enabling investments that might otherwise remain unrealized.

During 2025, the Bank's portfolio delivered strong and measurable developmental outcomes. The projects supported are expected to generate significant employment opportunities, particularly for the youth, while contributing to increased national output, improved export performance, and enhanced domestic revenue mobilization. These outcomes reaffirm UDB's strategic importance not only as a financier but also as a key driver of structural transformation and inclusive economic growth.

I am encouraged by the Bank's increasing focus on innovation and its support to early-stage enterprises through equity financing. By investing in emerging businesses, including those leveraging technology and green solutions, UDB is helping in building a resilient and future-ready private sector.

This approach is essential in positioning Uganda as a competitive and attractive destination for sustainable and impact-oriented investments. The Bank's expanding footprint across regions, alongside its deliberate engagement with small and medium enterprises, cooperatives, youth, and women, reflects a strong commitment to broad-based participation in economic development. Its enterprise development initiatives continue to strengthen the capacity of businesses to become investment-ready, improve governance standards, and scale sustainably.

As Government prioritizes private sector-led growth, institutions such as UDB remain indispensable in de-risking investments, mobilizing private capital, and supporting strategic sectors. The Bank's forward-looking strategy—anchored in value chain financing, innovation, and partnerships—is well aligned with national development objectives and the broader investment framework.

Government remains committed to maintaining a stable and competitive investment climate. Ongoing reforms aimed at improving the ease of doing business, strengthening regulatory frameworks, and expanding critical infrastructure will further support enterprise growth and long-term economic transformation. Through UDB, we will continue to deepen access to long-term finance, promote value addition, and drive inclusive growth across priority sectors.

I commend the Board, Management, and Staff of Uganda Development Bank Ltd for their dedication and professionalism, and I acknowledge the continued support of our development partners.

Together, we will sustain momentum in strengthening Uganda's investment landscape and delivering shared prosperity for all Ugandans.

Evelyn Anite

UDB provides patient and catalytic capital that unlocks private sector potential, strengthens domestic production, and enhances Uganda's economic competitiveness

Who we Are

The Uganda Development Bank Limited (UDB) was established by the Government of Uganda (GoU) to promote the country's socio-economic development by undertaking specific objectives stated in its mandate.



Our Mandate

To operate as Uganda's Development Finance Institution, particularly through interventions in priority sectors and in line with the Government of Uganda's development priorities

The National Development Plans (NDPs) identify priority sectors and key public and private delivery partners that will drive the achievement of the country's strategic objective of attaining high middle-income status by 2040. As a development bank, UDB plays an enabling role through provision of affordable finance to facilitate and catalyse private sector investment.

The 10-Fold Growth Strategy: The government has set an ambitious objective to expand the country's GDP by 10-Fold within a decade (or before 2040), from the current USD \$50 billion (2023) to USD \$500 billion (2033-40).



UDB objectives

- Profitably finance viable economic development in key sectors.
- Provide finance in the form of short, medium and long term secured loans.
- Acquire shareholding in viable businesses; and
- Make funds available for reinvestment.



Purpose

Improve the quality of life of Ugandans



Our Vision

At the forefront of sustainable socio-economic development in Uganda



Our Mission

To accelerate sustainable socio-economic transformation through innovative financial and non-financial solutions



Our Values

Purpose-driven: We are inspired by a common purpose, with Ugandans being at the heart of everything we do. We stand for inclusive growth and sustainable development in driving our commitment to improving their quality of life. This defines our long-term success.

Integrity: We promise only what we can deliver. We do what we say we are going to do and are accountable for our promises. We value honesty, consistency and transparency in our words and actions.

Innovation: We are committed to continuous improvement, refining our value proposition and processes, and creating simple, relevant solutions for our customers; empowering us to effectively respond to the dynamic business environment in which we operate.

Excellence: We are dedicated to being the best. We consistently meet and exceed our stakeholders' expectations, going the extra mile to get it right the first time. We approach everything with the urgency and professionalism it deserves



UDB is a key player in promoting private sector development



Our High Impact Goals



Goal 1:

To Build a Sustainable Agrifood System for Uganda

Under this goal, UDB focuses on supporting the entire agriculture value chain, encompassing the full range of activities in the primary production of food and non-food agricultural products, as well as their storage, aggregation, post-harvest handling, transportation, processing, distribution, and marketing.



Primary agricultural production | Storage
Aggregation | Post-harvest handling | Transportation |
Processing | Distribution | Marketing



Goal 2:

To Promote Sustainable Industrialization in Uganda

The Bank supports the country's industrialization in creating a competitive and innovative economy. It supports small, medium, and large size industries to boost value addition, thereby improving Uganda's industrial base and increasing the value of industrial exports and earnings. Specific sectoral interventions include the following:- Agro-industrialization, Manufacturing: (Knowledge-based Industries, Extractive Industries)

Agro-industrialization | Manufacturing
Knowledge-based Industries | Extractive Industries



Goal 3:

To Develop a Sustainable Services Sector

Being the largest contributor to GDP, the services sector presents huge economic opportunities for Uganda's development and in creating gainful employment. Through this goal, the Bank supports the following sub-sectors: Tourism, Education, Health, Science, Technology, and Innovation (STI)

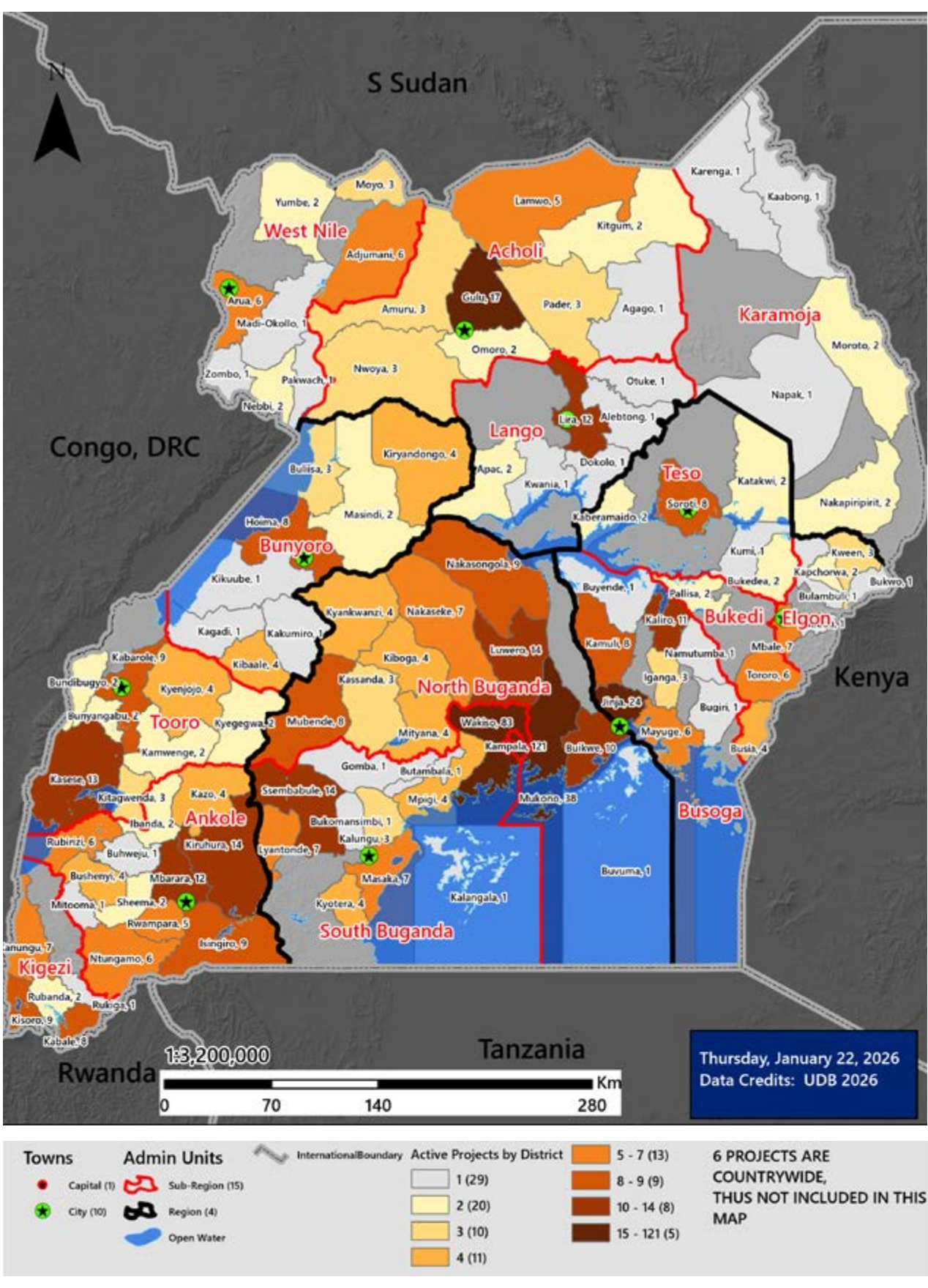


Tourism | Education | Health
Science Technology & Innovation (STI)

Delivering our High Impact Goals through Priority Sectors



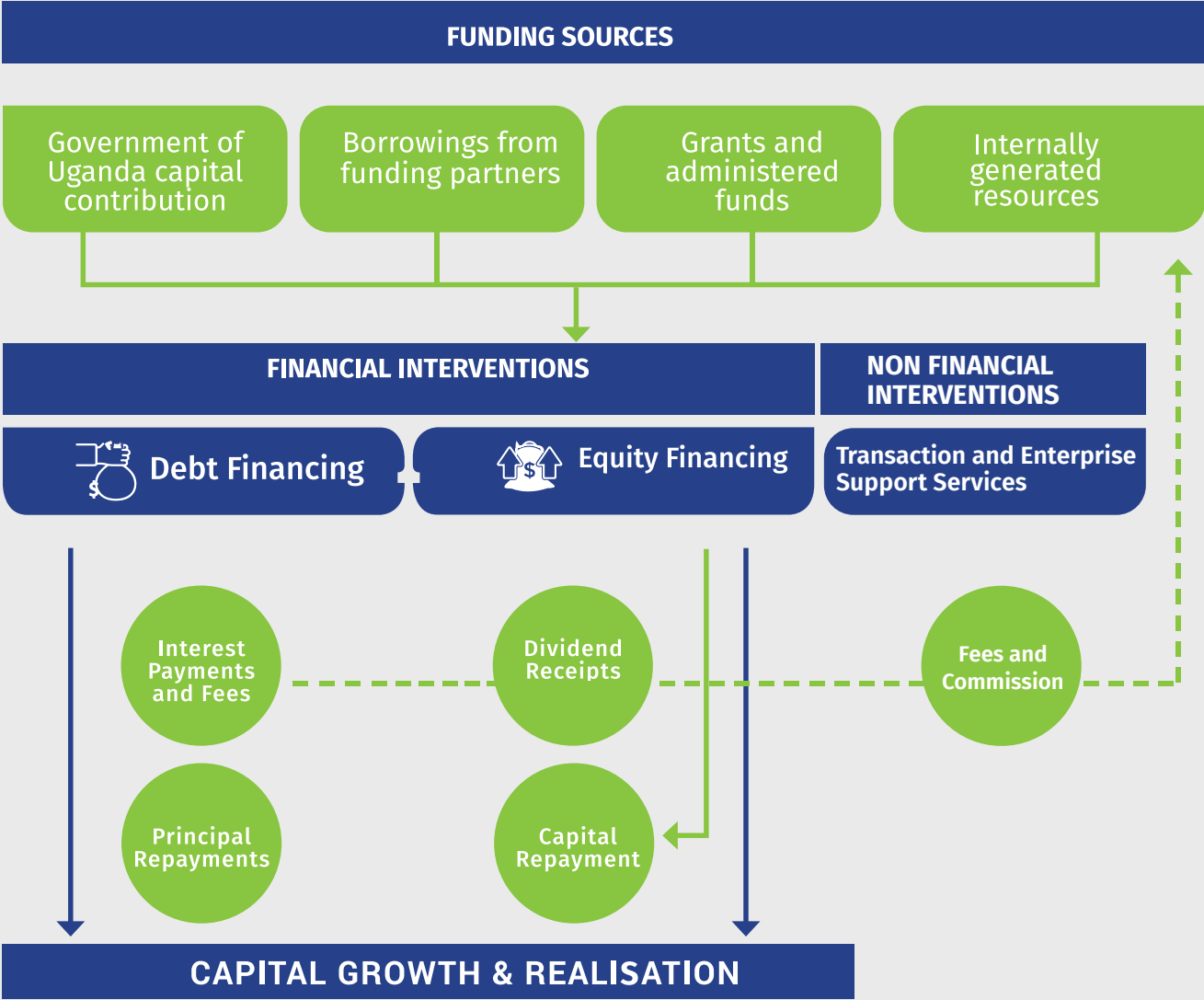
Our Footprint



FINANCIAL INTERVENTIONS (Debt and Equity)		
Term loans	Asset finance	Trade finance
Loans for capital investments. Tenor 4 to 15 years Inclusive of grace period (up to 3 years) depending on the project requirement.	Supporting enterprises to acquire productive assets. The asset is the primary collateral security, enabling businesses to acquire an asset at current market rate without committing valuable capital immediately. Tenor 2-8 years, inclusive of a grace period of up to 3 years.	working capital Short-term finance for existing and operational enterprises in need of short-term finance to bridge an operational gap. Tenor Revolving in nature with repayment cycles up to 120 days.
Equity investment	Project finance	Farmer Group Loans
The Bank undertakes shareholding in start-ups or large- scale projects with high growth potential but deemed too risky Tenor UDB will be a shareholder for a maximum of 10 years.	Long term funding for large and complex development projects provided against the security of the cash flow arising from the creation of project assets, plus the realizable value of the assets. Tenor 15 years inclusive of a grace period of up to 3 years.	Financing for smallholder farmer groups composed of 50-400 members involved in the production and marketing of various crops as part of a value chain. Tenor 4 to 15 years Inclusive of grace period (up to 3 years) depending on the project requirement.
SPECIAL PROGRAMMES		
SME Kazi Loans		
Criteria - Entity must be a Small or Medium Enterprise with an Annual Turnover of up to UGX 100M for small enterprises up to UGX 360 million for Medium Enterprises. Key features Minimum financing is UGX 50 million and maximum UGX 720 million. One-time Appraisal fees of 0.75% (1% for short-term working capital, with 0.75% on revolving amounts). Interest rate between 10% - 12% p.a. Business advisory services to promote sustainability.		
Women Prosper Loans		
Criteria Ownership/Share-holding – Any enterprise or business where ownership/shareholding is more than 50% by women. Leadership/Management – Any enterprise where the board is constituted of at least 30% women and Senior Management is composed of atleast 30% women Employee Composition – Any enterprise or business employing at least 40% women Product – Any enterprise involved in the production of essential products for women such as sanitary items and medical equipment. Key features - The minimum is UGX 100 million and the maximum UGX 900 million across all interventions for women. - One-time Appraisal fees of 0.75% (1% for short-term working capital, with 0.75% on revolving amounts). - Interest rate between 10% - 12% p.a. - Business advisory services to promote sustainability.		
Youth Step -Up Loans		
Criteria - A youth is an individual between the age of 18 and 35 years Shareholding/Ownership: Any enterprise or business where shareholding/ownership is more than 30% by youth. Product or Service: Any enterprise involved in skilling or reskilling of youth, i.e. BTVETs, Incubation Hubs etc, where youth enrolment exceeds 50%. Age of Employees: Any enterprise or business employing at least 35% youth. Key features Minimum financing is UGX 100 million and maximum UGX 540 million (UGX 300 million for the Kickstart facility) One-time Appraisal fees of 0.5% Interest rate of 10% - 12% p.a		

TRANSACTION AND ENTERPRISE SUPPORT SERVICES (TESS)	
Often times, potentially impactful project ideas fail to materialize into actual bankable projects due to early stage financial and technical bottlenecks. Project conceptualization, feasibility analysis, business plan development, obtaining statutory consents, enhancing sustainability of businesses and financial structuring are some of the common bottlenecks. UDB, through its Transaction and Enterprise Support (TESS) Function, drives early stage solutions that enhance the Bank's demand generation agenda. This co-creates impactful transformative projects and programs to solve critical challenges or inspire development. TESS also provides advisory services to support projects promoted by both public and private sector players, right from conceptualization to implementation.	
1 Project Development: Aids project origination, conceptualization, and preparation of feasibility studies and technical designs. The Bank collaborates with and supports private and public-sector players to package potentially impactful projects for financing. Where necessary, UDB may lead project identification and conceptualization and later seek partnerships with relevant private or public sector players to implement it.	
2 Program Development: Systemic challenges in a particular sector are usually solved by undertaking multiple investments in related or similar projects. Investing in similar or related projects can also ensure that sectors thrive. Through the Program Development approach, the Bank identifies, conceptualizes, and develops program financing concepts to target similar or related projects that address systemic challenges or enhance the productivity of specific sectors.	
3 Project Preparation: This initiative supports impactful projects developed internally or externally. The Bank validates all technical, legal, environmental, and regulatory requirements to ensure projects are investment-ready, bankable, and able to secure financing. Financial modelling and structuring are also performed here. Project preparation reduces risks and uncertainties that deter financiers.	
4 Investor Support Services: This service supports local and foreign investors by providing essential information and prerequisites for investment and project implementation, including facilitating regulatory approvals from government entities. It also connects developers with equity providers and relevant business insights, leveraging the Bank's role to unlock and fast-track project financing and execution.	
5 Professional Services: Through its professional services function, the Bank provides transaction advisory for project conceptualization, design, and implementation, including capital mobilization (debt and equity), deal syndication, financial structuring, and execution of legal and technical processes to close deals. The Bank may also establish special funds to offer blended finance or cover critical pre-operational costs, such as legal and subject-matter expertise.	
6 Enterprise Advisory Services: This product supports SME's, Women and Youth led / owned enterprises to streamline their internal business operations in order to enable them grow and operate in a sustainable manner, as well as access financing.	

Our Funding Model



Proceeds from this funding are used to repay borrowings, cover operational costs and grow the Bank's balance sheet to enable investment in other development projects

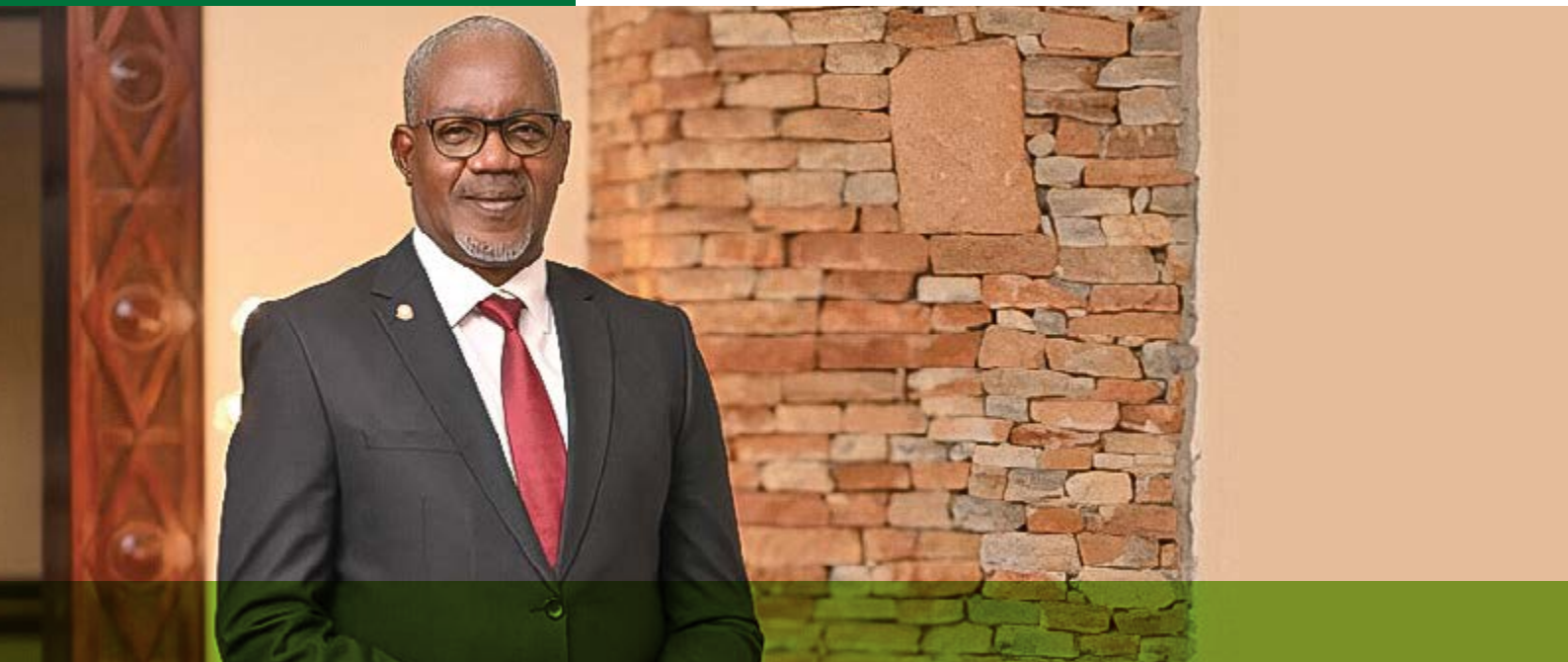
Our Operating Model

CAPITAL	HOW THE RESOURCES ARE USED TO ENABLE OUR BUSINESS MODEL	CATEGORY	ACTIVITIES
FINANCIAL CAPITAL - Capital contributions from the Government of Uganda - Principal and Interest repayments from loans - Borrowings from development partners - Dividends and capital profits from equity investment - Fees from project preparation and business advisory services	- Extending new loans - Making new equity investments - Repaying borrowings - Cover operating expenses - Sourcing projects to finance - Developing and co-investing projects - Leveraging our balance sheet to increase the impact	ACTIVITIES DIRECTLY RELATED TO PROVISION OF FUNDING	- Sourcing and managing loans and other funds at the lowest possible cost to pass on these benefits to our clients - Assessing the viability of business plans - Providing funding to potentially viable businesses - Developing and funding projects in key priority sectors - Sourcing partners for development projects
SOCIAL CAPITAL - Network of entrepreneurs, clients and project partners - Government ties - Other funders and development partners	Partnering to implement the strategy	ACTIVITIES SUPPORTING THE DEVELOPMENT IMPACT OF OUR BUSINESS	- Providing non-financial support to entrepreneurs - Developing and managing specialized funding products to address specific development outcomes
HUMAN CAPITAL Our staff	- Generating investment income - Assessing funding applications - Monitoring and managing our portfolio and all other aspects of our business - Developing strategies for the development of key priority sectors	ACTIVITIES DIRECTLY SUPPORTING SUSTAINABILITY OF OUR BUSINESS	- Undertaking sectoral and economic research - Participating in government and private sector development initiatives - Supervision and monitoring of projects - Managing our portfolio of loans and investments to ensure that we collect principal, interest and dividend payments
INTELLECTUAL CAPITAL - Industry-specific and macro-economic research - Knowledge gained through our experience - Due-diligence, credit granting, and post-investment processes.	- Providing inputs to government policy formulation - Identifying and managing risk in the businesses that we fund	CROSS-CUTTING SUPPORTING ACTIVITIES	- Assets and Liabilities management - Human capital management - Business technology - Strategy management - Governance, compliance and legal services - Enterprise risk management - Stakeholder management - Procurement - Business advisory
MANUFACTURED CAPITAL ICT infrastructure and systems.	- Improving our processes/operational efficiency - Harnessing Data and Digital Assets to support product development and decision making		
NATURAL CAPITAL Upholds strict environmental standards	- Connecting with our key stakeholders - Monitoring carbon emissions of projects we invest in and their environmental policies - Providing funding that reduces companies' impact on the environment		



D1

GOVERNANCE FOR IMPACT



CHAIRMAN'S STATEMENT

The year 2025 marked the commencement of Uganda Development Bank's fourth Strategic Plan (2025–2029).

Enabling Uganda's Transformation through Strategic Development Finance

The year 2025 marked the commencement of Uganda Development Bank's fourth Strategic Plan (2025–2029), a defining milestone in the Bank's journey as the country's premier development finance institution. This new strategic phase builds on the solid foundation established over previous cycles and is firmly anchored in Uganda's long-term development aspirations, including the country's Ten-Fold Growth Strategy and Vision 2040.

Against a backdrop of moderate global growth and continued geopolitical uncertainty witnessed in 2025, Uganda's economy remained resilient, supported by stable macroeconomic conditions, easing inflationary pressures, and improving business confidence. This environment provided a strong platform for UDB to deepen its catalytic role in unlocking productive investment and supporting enterprise-led transformation.

On behalf of the Board of Directors, I am pleased to present key highlights of the Bank's progress in implementing its strategy during 2025, a year defined by strategic continuity, institutional strengthening, and expanding development impact.

Strengthening Institutional Capacity for Greater Impact

In line with its refreshed strategic direction, the Bank commenced a deliberate shift from a demand-capture model to a demand generation, programmatic approach, aimed at scaling investments that deliver long-term socio-economic transformation. This transition has enabled the Bank design sector-specific financing programs, actively prepare and de-risk projects, provide enterprise advisory services to enhance business readiness, crowd in private capital, and accelerate the development of bankable pipelines. Priority program areas include financing for Ugandan contractors, water infrastructure, public university accommodation, nephrology clinics, railway development, waste management systems, and the creative sector.

Through this programmatic approach, UDB is increasingly able to originate, shape, and scale investable opportunities, rather than passively respond to demand.

Advancing Development Outcomes Across the Economy

The Bank continued to solidify its position as a strategic thought leader in development finance by:

Collaborative Platforms: The Bank hosted the inaugural Uganda Development Finance Summit, convening policymakers, industry leaders, private and public sector actors, academia, and financiers to align on practical solutions to Uganda's and Africa's most pressing development finance challenges.

Innovation in Sustainability: Through the Reshaping Industry for a Sustainable Economy (RISE) programme, launched in partnership with key stakeholders in 2025, the Bank is advancing sustainable finance by transforming environmental and social challenges into commercially viable investment opportunities.

Evidence-Based Action: UDB's Ongoing research initiatives continue to provide a robust empirical foundation for both internal strategy and national policy discourse, addressing structural constraints to Uganda's development trajectory.

To the Bank expanded its blended interventions, combining finance with enterprise development support, incubation, and project preparation

Strategic Partnerships and Capital Mobilization

The Bank intensified its efforts to mobilise capital for development through innovative financing approaches, including onboarding new funding partnerships and exploring alternative capital instruments. These efforts are strengthening UDB's role as a catalyst for directing capital to priority sectors of the economy. During the year, the Bank further deepened its partnerships with Government and international development finance institutions. These collaborations have been instrumental in expanding UDB's funding base and enhancing its capacity to support large-scale, long-term investments.

Advancing Development Outcomes Across the Economy

The Bank's performance in 2025 detailed in the ensuing report, demonstrates continued progress in delivering its development mandate. Through its financial and non-financial interventions, UDB enabled enterprises to sustain and expand economic activity, contributing to job creation, increased production, and improved enterprise performance across key sectors.

Of particular note is the continued strengthening of the Bank's impact on inclusive growth, with a significant share of supported enterprises benefiting youth and women, as well as enterprises operating in agriculture, manufacturing, and services. These outcomes reinforce the Bank's role in addressing key structural constraints to economic transformation.

The Bank also expanded its blended interventions, combining finance with enterprise development support, incubation, and project preparation. These efforts are critical in improving investment readiness and expanding access to finance for underserved segments of the economy, particularly SMEs.

Operational Excellence and Institutional Sustainability

The Bank's progress has been underpinned by a disciplined commitment to operational excellence. Through prudent risk management, targeted technology adoption, and optimization of human capital, the Bank has ensured that its pursuit of developmental impact remains aligned with institutional sustainability and long-term value creation.

Strengthening Governance and Institutional Credibility

The Bank's strong governance framework and prudent management practices continue to be recognised by international rating agencies and peer institutions. These endorsements reinforce UDB's position as a credible and well-governed development finance institution, aligned with global standards of transparency, accountability, and operational excellence.

The Bank's commitment to sustainability, green financing, and responsible investment further strengthened its institutional relevance in an evolving development finance landscape.

Looking Ahead

As UDB progresses the implementation of its 2025–2029 Strategic Plan, the Board remains focused on ensuring that the Bank continues to evolve as a more agile, impact-driven, and partnership-oriented institution. The strategic priorities ahead include strengthening program and project preparation capabilities, mobilizing strategic capital, expanding support to high-impact sectors, and enhancing the Bank's role in catalysing private sector investment.

The Board is confident that these strategic levers will position UDB to play an even more central role in transforming Uganda's productive capacity and accelerating inclusive socio-economic development.

As UDB progresses the implementation of its 2025–2029 Strategic Plan, the Board remains focused on ensuring that the Bank continues to evolve as a more agile, impact-driven, and partnership-oriented institution.

Appreciation

On behalf of the Board of Directors, I extend our sincere appreciation to the President of the Republic of Uganda, H.E. Yoweri Kaguta Museveni, for his continued leadership and unwavering support to the Bank. We also recognise the Ministry of Finance, Planning and Economic Development, our shareholders, for their continued commitment to strengthening the Bank's mandate and institutional capacity.

I extend my gratitude to the Managing Director, Dr. Patricia Ojangole, the entire Management team and staff, for their dedication to executing the Bank's strategy with professionalism and focus and commend them for the achievements realized thus far.

Finally, I appreciate my fellow Board members for their stewardship, insight, and unwavering commitment to the transformation agenda of the Bank.

As we look to the future, the Board remains committed to ensuring that Uganda Development Bank continues to serve as a catalyst for sustainable economic transformation and inclusive prosperity for all Ugandans.



Geoffrey T. Kihuguru
Chairman, Board of Directors



UDB intensified capital mobilisation for development through innovative financing approaches, new funding partnerships, and alternative capital instruments



Governance Statement

Overview

The Corporate Governance Statement forms part of the Bank’s corporate reporting for the financial year 2025.

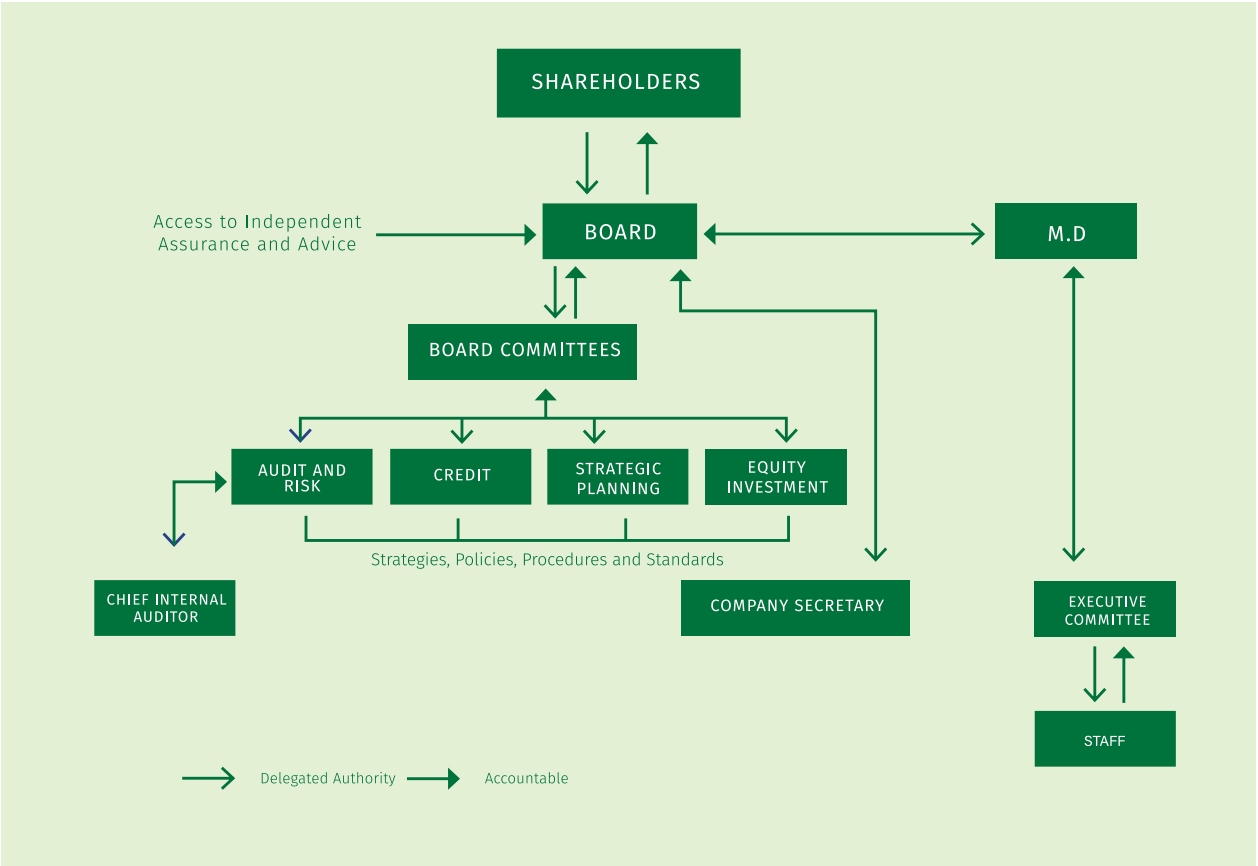
This report demonstrates Uganda Development Bank Limited’s (UDB) commitment to the highest standards of corporate governance as well as her compliance to applicable legal, statutory, and regulatory requirements. The Board of Directors and Management remain committed to ensuring the Bank’s operations and processes are executed with fairness, accountability, responsibility, and transparency. Adherence to sound governance practices is critical in protecting the Bank’s interests, enhancing shareholder value, attracting the right human capital as well as investment / development

partners, maintaining goodwill with all stakeholders and fostering public confidence in the Bank’s products and services offering.

Board of Directors

The Board of Directors is the highest decision-making body in the Bank and is empowered by the Articles of Association to oversee the affairs of the Company. The directors are accountable to the Shareholders for the performance and management of the Company. There is an established Board Charter which stipulates the Board’s authority, responsibility, membership, and operating guidelines as well as the relationship between the Board and Management of the Company.

Uganda Development Bank’s Corporate Governance Structure and Division of Responsibilities at a glance



Role of the Board

The Board is responsible for providing leadership and setting the strategic direction of the Company, which enables Management to deliver growth and shareholder value over the long term. The Board oversees the implementation of the Bank’s mandate to improve the quality of life of Ugandans. The Board ensures the Company has a clearly defined purpose and strategy underpinned by its values and behaviours that shape the Bank’s culture. The Board’s mandate is guided by the schedule of matters reserved for the Board as prescribed in the Board Charter.

The Board approves the Bank’s strategic plan and budget, and ensures resources are available for the implementation of the strategy. The Board is responsible for the appointment, removal, remuneration and performance review of the Executive Committee, maintenance of a sound risk management system and internal controls which provide reasonable assurance on the achievement

of organizational objectives. The Board ensures adequate processes are in place and that the Bank is ethically operated and complies with all relevant laws, regulations, codes of business practice, and good corporate governance practices. The Board also approves the Bank’s policies, sanctions any amendments or waivers thereof and approves the financial statements. The Board is responsible for establishing a Communications Policy and overseeing the process of disclosure and communication.

Adherence to sound governance practices is critical in protecting the Bank’s interests, enhancing shareholder value, attracting the right human capital

Delegated authority to the Managing Director

There is a clear division of responsibility between the Board and Executive Management. The Board has delegated authority for the day-to-day operations of the Bank to the Executive Committee under the stewardship of the Managing Director. The Managing Director remains accountable to the Board for the effective management of the business and actions delegated including but not limited to the development and implementation of strategic and business plans, preparation of annual budgets, implementation of policies, management of the

Bank’s risk profile in line with the Risk Appetite and ensuring appropriate internal controls are established and implemented to safeguard the Bank’s assets and resources. The Managing Director is the Bank’s Spokesperson and communicates the Board’s expectations to various stakeholders.

Board Structure and Composition

Appropriate structures are in place to effectively govern the business. The Board of Directors is composed of 7 members, 6 of whom are non-executive directors, and 1 executive director.

BOARD STRUCTURE AND COMPOSITION					
	Board of Directors	Board Credit Committee	Board Strategic Planning Committee	Board Audit and Risk Committee	Board Equity Investment Committee
	Responsible for the Bank's overall performance.	Considers and approves Credit transactions within the Committee's threshold and oversees credit risk management.	Oversees the strategic direction and performance of the Bank, compensation policies, human resources plans, the business operations, Information technology and knowledge management.	Monitors the adequacy of financial controls and reporting, liquidity, internal control environment, and enterprise risk management.	Oversees the Bank's equity asset portfolio and strategic equity activities including approval of investment projects.
Committee membership and number of meetings attended					
	Full Board Meeting	Board Credit Committee	Board Strategic Planning Committee	Board Audit and Risk Committee	Board Equity Investment Committee
Number of meetings	8	7	4	5	4
Mr. Geoffrey Kihuguru*	8**	N/A	N/A	N/A	N/A
Mrs. Rita Akot Apell***	3	N/A	2**	3	N/A
Mr. Joe Busulwa Kayongo	7	6**	N/A	N/A	4
Dr. Albert Richards Otete	8	N/A	N/A	4**	N/A
Dr. Bob Bonabo Munene	8	5***	4	1	N/A
Dr. Patricia Ojangole	8	7	4	N/A	4
Dr. Theodora Twongyirwe Mondo*	8	N/A	1**	5	3**
Assoc. Prof. Rachel Mindra Katoroogo*	4	1	N/A	N/A	1**
Mr. Felix Okoboi***	N/A	N/A	N/A	N/A	N/A
Mr. Francis Tumuheirwe***	N/A	N/A	N/A	N/A	N/A

** Chairperson of the Meeting or respective committee. There were changes to the committee composition during the year.
*** Retired from the Board (Mr. Felix Okoboi and Mr. Francis Tumuheirwe retired on 2nd January 2025 while Mrs. Rita Akot Apell retired on 10th July 2025)
* Joined the Board (Mr. Geoffrey Kihuguru and Dr. Theodora Twongyirwe Mondo joined on 2nd January 2025 while Assoc. Prof. Rachel Mindra Katoroogo joined on 10th July 2025)

The Board recognises the contribution of the Non-Executive Directors who constructively challenge Management’s ideas and proposals, as well as evaluate their performance. The Non-Executive Directors provide independent thought and judgment to the deliberations and act in the best interests of the Company. Additionally, they develop proposals on strategy, satisfy themselves of the integrity of financial information, internal controls, and risk management systems. The Managing Director ensures implementation of the agreed strategy and Board resolutions as well as provides useful insights and perspective of the business at meetings facilitating quality discussions and decision making.

Board Expertise, Experience and Diversity

The Board is comprised of individuals with high integrity who possess a wealth of experience, expertise, skills and independence required to deliver the Bank’s Strategy and High Impact Goals. The individuals are from diverse professions, backgrounds, industries, gender, age and ethnicity which enables a broader evaluation of matters considered at meetings. The Bank regularly reviews its director’s skills, experiences and competencies, knowledge as well as diversity requirements including age, gender, and ethnicity to ensure the current and future strategic needs of the Bank are met. The Bank is also committed to an inclusive and diverse workforce across all levels of the organization to create a better performing team. These diverse attributes ensure a varied thought process during

discussions which culminate into informed and balanced decisions. It also contributes to a culture of collaborative and constructive discussion in the boardroom. The Board is composed of 3 female directors which is a good balance.

The Bank has positioned itself as a key driver for provision of sustainable financing as well as development financing across the country and implemented various standards under the Sustainability Standards Certification Initiative (SSCI) version 2.0. The Bank achieved Level 5 certification under SSCI version 2.0, the highest level of sustainability excellence in the process in September 2025 winning the Karlsruhe Sustainable Finance Award in the category of *Outstanding Business Sustainability Achievement*. The Bank has adopted a holistic approach to sustainability by streamlining the same into its core strategy, and business operations.

This approach not only ensures the long-term success of the business but also ensures the financial interventions provided by the Bank contribute positively to the economic, social and environmental outcomes in the country. The Sustainability standards recognize the importance of competencies and diversity required to achieve as well as maintain the status of a sustainable certified financial institution and requires the Board of Directors to assess its competence and diversity scope which informs the skills and diversity status of the Board of Directors.

The Bank has positioned itself as a key driver for provision of sustainable financing as well as development financing across the country and implemented various standards



Board Competency and Diversity Matrix

The Bank's Articles of Association stipulate the required skills for an effective execution of the Bank's mandate and strategy including a good appreciation of social, economic development and environmental issues, Finance, Audit, Risk, Accounting, Legal, Compliance and Corporate Governance, Human Resource and Labour relations, Strategy development and implementation, Private equity investments, Credit Risk Management, Corporate

and project finance, Information Technology and Governance, Innovation and Agility.

The Board skills matrix identifies the experiences and expertise of the directors, the required skill set and competencies and strategic requirements of the company. The current matrix ensured the Board effectively carried out its mandate.

Director Appointments and Succession Planning

The Board Chairperson ensures the Board composition, is of sufficient size, and balance in terms of skills, experience, independence, and knowledge. He also ensures plans are underway for an orderly and seamless succession on the Board. The recruitment process for a Non-Executive Director commences with the review of the Board of Directors Skills and diversity matrix to establish gaps in the existing Board composition. A candidate profile is then prepared and a search for candidates satisfying the desired skills and diversity sets is conducted. A Shortlist of candidates with the targeted skill sets is submitted to the Shareholders for consideration and decision. The Shareholders can either appoint a director from the shortlisted candidates or the market provided that the appointed directors possess the desired skills and diversity sets.

Director appointments and re-appointments are a preserve of the Shareholders and are formally done at the Annual General Meeting (AGM). Interim Board appointments conducted between AGMs are

confirmed at the subsequent AGM as required by the Bank's Articles of Association. A director's formal appointment to the Board stipulates the key terms of engagement which must be accepted before being onboarded. Non-Executive Directors are required to commit an appropriate amount of time to the Company and demonstrate capacity to undertake the role where more than one directorship position is held.

Non-Executive Directors are required to serve the Board for an initial term of three (3) years and are eligible for re-election for one further term of three (3) years subject to satisfactory performance.

The Shareholders appointed two (2) directors whose tenure became effective on 2nd January 2025 namely, Mr. Geoffrey T. Kihuguru who was appointed as a Non-Executive Director and Board Chairman of Uganda Development Bank Limited in accordance with Article 60 of the company Articles of association for a term of three years.

Board Changes

Mr. Kihuguru is an accomplished insurance professional and corporate governance expert with over 40 years of experience in the insurance industry. He currently serves as the President of the Institute of Corporate Governance of Uganda, Chairman of the Board of Trustees of Ripple Effect Uganda (formerly Send a Cow) and the Chief Executive Officer of Pentad Insurance Brokers Limited. He previously served as the Chairman of the Uganda Insurers Association, Insurance Institute of Uganda (now the Insurance Training College of Uganda), and Citibank Uganda Limited.

Dr. Theodora Twongyirwe Mondo was also appointed a Non-Executive Director of Uganda Development Bank Limited in accordance with Article 60 of the company Articles of association for a term of three years effective 2nd January 2025. Dr. Theodora is an accomplished academic, industrial engineer, with over 16 years of postgraduate experience in academia, research, corporate governance, and strategic management. She holds a PhD in Computing from Mbarara University of Science and Technology, a Master of Science in Computer Science from the University of Birmingham (UK), and a Bachelor of Engineering in Mechanical

and Manufacturing Engineering from the University of Leeds (UK). Dr. Theodora is a Senior Lecturer in the Department of Mechanical and Industrial Engineering at Mbarara University of Science and Technology and currently serves as a Director on the Board of National Information Technology Authority-Uganda (NITA-U), Uganda Women Entrepreneurship Association Ltd, Uganda Manufacturers Association and Kampala International University Council. She previously served on the Boards of Uganda Revenue Authority, Mbarara University Retirement Benefits Scheme and Research and Education Network of Uganda (RENU).

The Shareholders by circular resolution dated 9th July 2025 reappointed Mr. Joseph Busulwa Kayongo as a Non-Executive Director of the Company in accordance with Article 62 of the Company's Articles of Association for a further term of three years effective 17th February 2025.

Mr. Joe Busulwa Kayongo chairs the Board Credit Committee. He is an expert in development banking, project finance and financial analysis. Mr. Busulwa previously served as a Board Director for the Zimbabwe Development Bank, Shelter Afrique, and Tropical Bank Limited and has valuable knowledge with national and regional projects. He has in-depth knowledge of the operations of multilateral development banks, such as the African Development Bank, as well as regional institutions namely, the East African Development Bank, Trade and Development Bank, COMESA, and Shelter-Afrigue. He worked for the African Development Bank, Management Training & Advisory Centre, Uganda Development Corporation, Ministry of Finance and Economic Development, and National Social Security Fund. He provides consultancy services to the African Development Bank, East African Development Bank, Shelter Afrique and Precision Consulting Limited among others. Mr. Busulwa holds a Master of Business Administration from the University of Nairobi, a Bachelor of Commerce from Makerere University, and a Post Graduate Diploma from the Research Institute of Advanced Training from the Netherlands.

Mrs. Rita Akot Apell who served an initial term of 3 years that expired on 15th February 2025 was not re-elected at the past Annual General Meeting. She formally retired from the Board of Directors on 10th July 2025. Mrs. Rita Akot Apell previously chaired the Board Strategic Planning Committee and was a member of the Board Audit and Risk Committee which positions, she served diligently. The Bank appreciates her for the outstanding contribution towards the Bank's efforts to achieve the mandate and inspire development in the country as well as the strategic leadership provided to the Committee.

Following the retirement of Mrs. Rita Akot Apell, the Shareholders by circular resolution dated 9th July 2025 appointed **Assoc. Prof. Rachel Mindra Katoroogo** as a Non-Executive Director of the Company in accordance with Article 60 of the company Articles of Association for a term of three years effective 10th July 2025.

Assoc. Prof. Mindra currently serves as the Dean of the Faculty of Commerce at Makerere University Business School (MUBS). She brings to the Bank extensive expertise in finance, development research, project management, curriculum design, and stakeholder engagement, gained through a distinguished academic and professional career. She holds a PhD in Finance from Wits Business School, University of the Witwatersrand (South Africa); an Master of Arts in Money, Banking & Finance from Loughborough University (UK) and a Bachelor of Business Administration (Finance) from Makerere University (Uganda).

The Board and Management provided all the necessary support to the newly appointed directors to execute their roles.

Induction and Professional development



Newly onboarded directors participate in a formal induction process which is internally facilitated and coordinated by the Company Secretary. The induction process enables the Director's appreciation of the Bank's values, mission, vision, mandate, strategy, operations, governance, financial performance, internal controls, risks management, policies, operating environment, market and any other developments.

Induction covers the Bank's strategy, governance, operations, financials, risk, policies, and operating environment.

- Program includes engagement with Senior Management, site visits, stakeholder interactions, and sessions with retiring directors.
- The Bank aligns its induction with best practice guidance from the Chartered Governance Institute UK & Ireland.
- Induction is continuous throughout the year through board meetings, training, strategy sessions, and stakeholder engagements.
- Mentorship is provided through the Executive Director and Senior Management.
- Directors receive regular updates (policy briefs, macroeconomic reports, functional reports, industry analysis).
- The Chairperson and Company Secretary review training needs and ensure ongoing director development.
- A 2025 Board Training Plan covered key areas such as project finance, ESG, green finance, AI, cybersecurity, governance, and geopolitics.
- Both in-house and external training programs were conducted across the year.
- Directors participated in major regional and global forums, conferences, and specialized training programs to strengthen governance and oversight.

The Chairperson, with the Company Secretary, regularly reviews directors' training needs and ensures appropriate development programs.



Board Evaluation

The Bank undertakes annual rigorous reviews on the effectiveness of the Board, its committees, individual directors and the Company Secretary. Board evaluation is a critical process that assesses whether the Board is effective in carrying out its mandate, and whether individual directors continue to make quality contributions at meetings and demonstrate a commitment to the director role as well as ensure team cohesion. The process identifies strengths to be optimised and challenges to be addressed. The Company Board evaluation for the year 2025 was outsourced to external consultants, Ms. Dorion Associates LLP, a corporate governance, legal and corporate secretarial consultancy firm established in Kenya to add fresh perspective and valuable insights to the process.

Ms. Azali Certified Public Secretaries, a firm based in Nairobi was recruited to undertake the board evaluation for the year 2024. The

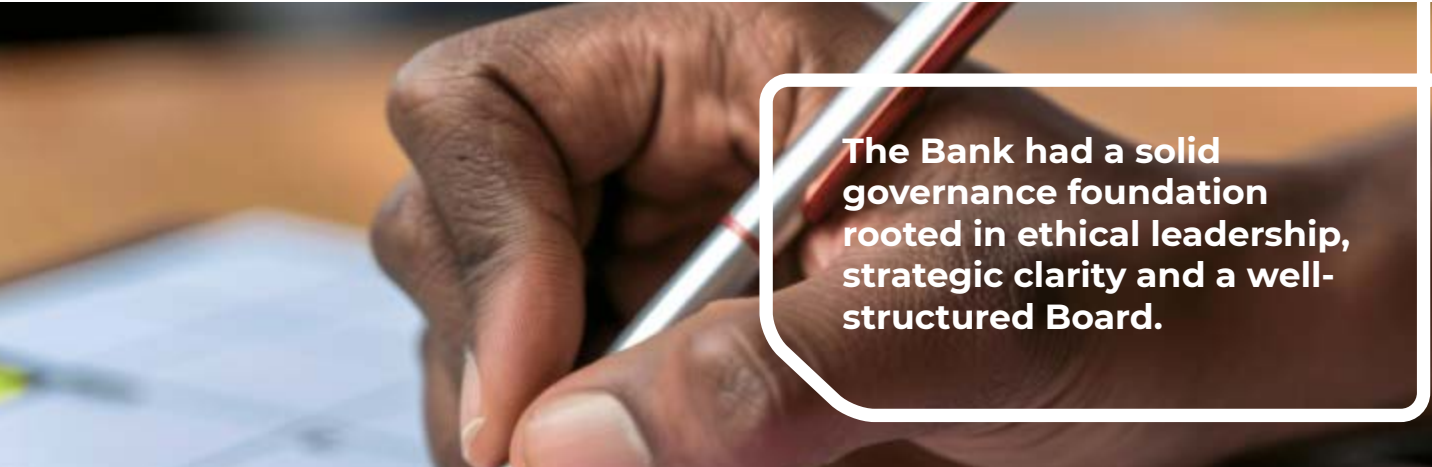
process encompassed entry meetings with the Company Secretary, Managing Director and the Board Chairman to understand the scope of the evaluation, development of an evaluation tool including surveys, director interviews, director peer reviews and preparation of an Action Plan to track implementation progress on areas of improvement. The exercise was concluded and the results as well as areas for improvement were presented to the Board. The findings confirmed that the Bank had a solid governance foundation rooted in ethical leadership, strategic clarity and a well-structured Board. The Bank was urged to formalise emerging governance responsibilities including ESG and cyber risks in its key governance frameworks (Board Charter and related policies). The Bank was also urged to develop a Succession Policy and Succession Plan. The Board approved the Implementation Matrix to facilitate the closure of the issues raised.

Board Meetings

The Board approves an annual Work Plan (calendar) that assists the directors to function effectively and efficiently. The Board Work Plan is a tool that assists the Board to be strategic, proactive and accountable to varied stakeholders. It ensures the Board's time is used effectively to address strategic priorities including statutory and governance responsibilities set out for implementation in the year. The tool ultimately ensures the Board remains focused on matters considered as critical for the Bank's long-term success. The Board meets at least 4 times in a year and annually convenes for mid-year and annual strategy sessions as well as any Special Board meetings to attend to urgent business. During

the period ended 31 December 2025, the Board of Directors convened 8 times. Refer to details on page 8 for Board attendance during the period.

Board reports are circulated at least four days before the meeting through a secure portal known as *Convene*. To facilitate efficient decision making, the Management team, and other senior employees may be invited to attend part of the meetings to provide additional insights into technical matters. The attendance of the meetings by the directors during the reporting period was very good save for times when they were indisposed due to conflicting priorities.



The Bank had a solid governance foundation rooted in ethical leadership, strategic clarity and a well-structured Board.

Digital Technology

The Company has to date continued to utilise digital platforms to conduct board business since the Corona virus (COVID-19) pandemic especially at committee level. However, the Secretary convenes physical Board of Director meetings during each quarter to maintain the members’ cohesion and engagement. Physical meetings also create an opportunity for the directors to interact with staff after the meetings.

The risk of cybersecurity remained a key focus area for the Board during the reporting period because of the increased regulation and personal accountability for the risk. Jurisdictions like the UK have considered the failure to address cyber security risks as negligence and potential fraudulent behaviour demanding that Boards demonstrate their effective oversight for cyber risk.

At UDB, the Board has overall responsibility for risk management including cybersecurity and has delegated the oversight role to the Board Audit and Risk Committee. No threats that could materially affect the company business, strategy and operations were identified during the year.

The Board also reviewed its Organizational structure during the period and approved the establishment of an independent Business Technology Directorate reporting directly to the Managing Director. An

autonomous Business Technology Directorate shall enhance strategic alignment, optimize technology and its investments, and strengthen risk management as a key enabler of the Bank’s new strategy (2025–2029). The Bank also successfully recruited the Director Business Technology to support, and spear head the Bank’s technology agenda.

Relatedly, another key focus area on the Board agenda was Artificial Intelligence and its associated risks to as well as opportunities for the Bank. The Board understood that it was critical for the Bank to establish a robust governance framework for Artificial Intelligence (A.I) comprising of policies, procedures and approval protocols, with key performance indicators to monitor A.I success. The Board shall oversee and monitor the development, deployment and maintenance of A.I tools considering the level of risk and investment and ensure the use of A.I tools is transparent and ethical. Regular audits on cyber security, fraud and A.I shall be conducted to mitigate risk. The Board also recognised the need for A.I literacy training for the staff and directors and considered the relevant development plans. The Bank has arranged a training for the Board in May 2026. Strides were made towards the development of an A.I Policy framework aligned to **ISO/IEC 42001:2023** pending Board approval in April 2026.

- The Board strengthened governance oversight by expanding the Audit and Risk Committee’s mandate (Feb 2025) to include cyber risk management and internal controls.
- Cyber risk and compliance are integrated into the Bank’s strategy and corporate objectives.
- The Board oversees regular review and updating of cyber risk, compliance, and security policies in line with best practices and regulations.
- The Board monitors cyber threats, trends, incident response, and crisis management frameworks.
- The Board approves investments in technology and staff training to enhance cyber resilience.
- The Bank implements structured programs for threat assessment, mitigation, and reporting of material cyber risks.

Board Committees

The Board delegates some of its responsibilities to Committees but remains fully accountable to the Shareholders. The Committees augment the Board’s efficiency and effectiveness by giving more time to technical issues. The Board is supported by four Board Committees namely, the Board Strategic Planning Committee, Board Credit Committee, Board Audit and Risk Committee and Board Equity Investment Committee.

Committee operations are guided by approved terms of reference which are reviewed annually to ensure alignment with developments in best corporate governance practice, and legal and regulatory frameworks. The Chairperson of each Board Committee is an independent non-executive director, and members are appointed by the Board Chairperson based on the required skills and competence sets, and the appointments are for

the duration of the director’s tenure on the Board. The Company Secretary is the secretary to and provides governance support to all committees. At a Board meeting following the quarterly committee meetings, the Board receives a Recommendation report from each committee for consideration and resolution.

Board Remuneration

The Board Strategic Planning Committee reviews the remuneration of staff and non-executive directors. The Board ensures the remuneration packages are appropriate and competitive to attract and retain high quality talent. The balance between performance payments and long-term value

creation for shareholders remains at the heart of the Company’s remuneration policy. No performance-based remuneration is paid to the Non-Executive Directors; they receive a monthly retainer and sitting allowance for the meetings attended.

The Directors remuneration package comprises of:

No	Benefit	Remuneration package
1.	Monthly Retainer (Gross)	Chair - UGX 7,500,000 Member - UGX 6,500,000 gross
2.	Sitting Allowance (Gross)	Chair - UGX 2,500,000 Member - UGX 1,500,000 gross
3.	Travel Costs	UGX 500,000 full day engagement Foreign - USD 650
4.	Warm Clothing Allowance	USD 500 every two years (travel during winter)



A cross-section of Board and Staff of UDB at the 2025 strategy cascade session.

Board Activities

Key activities undertaken by the Board and its committees during the reporting period:

Matters	Focus area
Strategic matters	a. An Annual Strategy meeting was convened in November 2025 to review the Bank's overall strategy, performance of annual business plans and budgets, the status of the Bank's culture transformation. The 2026 business plan and budget were approved. b. Quarterly review of the impact of macro-economic indicators, global events, and trends on the business, including likely risks affecting the business. c. Amendment and approval of policies. d. Approved the RISE (Reshaping Industry for a Sustainable Economy) Program that aims to exploit science and technology, fuel innovation, ignite entrepreneurship and create an internationally competitive national industrial base in Uganda. The Bank's enrolment onto the RISE Platform was also approved. e. Disposal of the Bank's investment in Listed entities. f. Approved the cost-of-living adjustment for staff for the year 2025. g. Approved a change in the Organizational structure with the introduction of the Directorate of Business Technology, Green Finance and Transaction and Enterprise Support Services. h. Approved the Business case for the Upgrade of the Rubikon Core Banking system.
Assurance and Risk management	a. Considered reports on all material legal matters including key developments in the governance, legal and regulatory space, as well as litigation updates. b. Reviewed the integrity of the financial statements, approved the annual report, and authorised key corporate filings. c. Reviewed the internal and external audit reports and held Management accountable for outstanding audit issues and internal control weaknesses. d. Approved the Internal Audit Strategy, Charter, Policy and Manual for the effective operation of the audit function. e. Reviewed the adequacy of the internal controls and risk management systems. f. Reviewed the strategies for Combined assurance.
Environmental Social and Governance matters	a. The Board maintained its oversight role by ensuring all approved transactions for financing conformed to the Bank's Environmental and Social Policy, National and International Environmental and Social standards, and requirements. b. The Bank attended COP30 in Brazil where it held bilateral engagements aimed at mobilizing resources required for financing its green pipeline of projects. It was also an opportunity to position the Bank as a thought leader in innovation and climate-aligned development finance. The Bank also held engagements with key stakeholders to explore new collaboration areas as well as strengthen existing funding partnerships. For example, with African Development Bank where discussions considered opportunities in climate-resilient investment, agriculture through TAAT, and access to emerging AfDB financing windows supporting Uganda's development priorities. Engagements with the Chinese Renewable Energy Industries Association also took place to explore collaboration on renewable energy investment, technology transfer, and capacity-building under the China–Africa Renewable Energy and Sustainable Financing Partnership. c. Reviewed reports on employee engagement, welfare, and wellness. d. Received performance updates from the governance function on implementation of all governance issues.
Stakeholder Engagement	e. Monitored the implementation of Stakeholder Engagement Management plan. Meetings and workshops were undertaken with key stakeholders including shareholders, Permanent Secretary to the Treasury, Parliament, Cabinet representatives among others. f. Several projects funded by the Bank were visited and assessed on project management performance. g. Engagements at the Uganda Development Finance Summit

Conflict of Interest

The Board has established appropriate controls for managing conflict of interest. Declaration of conflict of interest is a standard agenda item at all meetings before business is considered. A conflicted member is excluded from decision making relating to the agenda item(s) to which they are conflicted.

Directors are required to provide advance notice of any actual or potential conflict of interest to the Chairperson and Company Secretary for consideration at the next meeting date. Additionally, following appointment, Directors are required to disclose any circumstance capable of giving rise

to an actual or potential conflict of interest and thereafter annually.

The Board confirms that its members observed their fiduciary obligation under Section 198 (c) of the Companies Act, 2012 in the period under review. Directors acted in good faith and in the interests of the Company. Shareholders were treated equally, conflicts of interest were avoided and or declared where necessary, and personal profits were not made at the Company's expense, nor benefits accepted that compromised their judgment.

Compliance with the Governance Framework, Codes and Regulations

We recognise and accede to the principles stated in the King IV Report on Corporate Governance that states, **“there is always a link between good governance and compliance with the law, and good governance cannot exist separately from the law, and it is entirely inappropriate to unhinge governance from the law”**. For us conducting business in accordance with the relevant legislation, regulations, standards, and codes is integral to our culture. Compliance provides assurance to our stakeholders that the existing systems and processes will secure sustainability of the business, protect the reputation of the Bank, and guarantee a competitive advantage in the market.

The Board is charged with ensuring appropriate systems and controls are in place to monitor compliance with the established legal and regulatory framework. The Board Audit and Risk Committee receives quarterly reports on the status of compliance risk management in the Bank and significant areas of non-compliance are a subject of review by the Internal Audit function.

Corporate governance is not a box ticking exercise at the Bank, it is engrained in the Bank's culture, business, and operations. The Company applies the core principles of good corporate governance in all its dealings. The Company Secretary monitors the international and local governance trends and developments to ensure the existing framework is aligned. Key to note was the establishment of the King V Code on Corporate Governance published by the Institute of Directors South Africa which

takes effect on 1st January 2026. King V is a set of voluntary guiding principles and leading practices for corporate governance and recognises that governance outcomes for the organization within its economic, social and environmental context: **Ethical Culture; Performance and Value Creation; Conformance and Prudent Control; Legitimacy** is guaranteed. Corporate governance should therefore generate value for the organization within its economic, social and environmental context. King V aims to augment the legal requirements and makes the governance principles accessible and fit for application across a variety of sectors and organizational types while the recommended practices, could be adopted to fit the organization's setting. King V argues that an organization cannot claim to have sound governance simply based on the implementation of the recommended practices. Implementation should result in the realization of the governance outcomes before such a claim can be made. To improve its governance practices, the Bank shall comply with the King V code as applicable.

The Company has established policies to guide the operations of the business and the conduct by employees, and these policies are periodically reviewed at least once in three years to ensure relevance. Key policies reviewed during the period have been highlighted within the report. The Board also reviewed its Charter to accommodate changing circumstances and alignment to best practice. In the year under review, the Bank complied with the legal, regulatory, compliance and governance framework.

Ethical Conduct and Responsibility

The Bank values doing business the right way and has an established Code of Conduct which requires all employees to do the right thing and continually strive to do business in a sound manner. This behaviour shapes our culture and ensures successful delivery of the Bank’s purpose, mandate, and strategy. The Code of conduct underpins everything we do as an institution and governs our relationship with key stakeholders. The Bank remains committed to the highest standards of ethical, lawful behaviour as well as professional conduct and understands that its reputation depends on the integrity of its Board members, Senior Management, and all staff.

Annually, the Directors and Staff are required to sign the Code of Conduct committing to exercise due care and diligence while executing their roles, to act honestly, in good faith, and in the best interests of the Bank at all times, not to allow personal interests to conflict with that of the Bank and to declare any

interests when they arise, not to engage in any conduct likely to bring discredit upon the Bank, to comply with all applicable laws, regulations, policies and adhere to the principles of Good Corporate Governance, not to make improper use of any information acquired by virtue of their position and to keep the Bank’s proprietary information confidential.

The Directors are required to remain independent in their judgment as well as actions and take all reasonable steps to be satisfied with the soundness of their decisions, to use their powers for the proper purpose, and in the best interests of the Bank, to preserve and protect the Bank’s assets and resources and promote their efficient usage. Any suspected violations to the Code of Conduct, Bank policies or regulation are required to be promptly reported and dealt with accordingly.

Board Committee Reports

Board Equity Investment Committee Report

The Committee is comprised of three (3) members; 2 independent Non-executive Directors, namely Assoc. Prof. Rachel Mindra Katoroogo (chairperson), Mr. Joe Busulwa Kayongo and 1 Executive Director (Dr. Patricia Ojangole). Dr. Theodora Twongirwe Mondo previously chaired the Committee before Assoc. Prof. Mindra was appointed to the Board. The Director Investments, Director Risk, Head of Legal, Manager Equity and Venture Capital as well as the Equity Analyst are invitees to the meetings.

The Committee is ably supported by 2 Independent Advisors, namely Mr. Simon Rutega and Ms. Annette Mulira who possess expertise and experience in equity transactions. The Advisors provide briefs and an analysis of the equity investment market and business trends in the local and international space as well as any topical related issues at the meetings. This helps to enhance the Director’s and Management’s knowledge of the Equity market.

Equity Investment Portfolio

- Mandate & strategy**
 - Provided strategic direction and oversight on equity investments
 - Investments approved only if they strengthen capital structure, deliver social impact, and enhance returns
- Portfolio size & growth**
 - **UGX 26.12 billion** portfolio (2025) Up from UGX 16 billion in 2024
 - **+UGX 10.12 billion** additional investment in existing investees (2025)
- Portfolio composition**
 - **6** investees
 - **90%+** Manufacturing sector
 - **<10%** Agro-industry & services
- Approvals & pipeline**
 - **UGX 6.08 billion** approvals (2 investees)
 - **USD 5.1M** (UGX 16.6 billion) pipeline (3 active leads)
- Returns outlook**
 - **UGX 7.45 billion** approved but undeployed
 - **UGX 4.21 billion** expected disbursement in Q1 2026
 - **UGX 19 billion** expected total return
 - **1.7x** MOIC (Multiple on Invested Capital)
 - **62%** (UGX 12 billion) from capital gains
 - **38%** (UGX 7.26 billion) from dividends & coupons
- Risk considerations**
 - Returns highly dependent on exit timing, liquidity, and valuation pricing
 - Strong reliance on future capital gains vs immediate cash yields
- Key achievements**
 - Improved Investor Director onboarding process
 - Conducted first site visits to equity-financed projects
 - Reviewed and updated Committee Charter & Terms of Reference

Board Credit Committee Report

The Board Credit Committee (BCC) is comprised of two (2) Non-Executive Directors including Mr. Joe Busulwa Kayongo, the chairperson and Assoc. Prof. Rachel Mindra Katoroogo who replaced Dr. Bob Bonabo Munene following her appointment to the Board, and one (1) Executive Director, Dr. Patricia Ojangole. The Director Investments, Director Credit and Director Risk are invitees to all meetings held.

The Board is satisfied with the collective skills of the members of the BCC.

During the period under review, the Committee ensured that frameworks for credit risk governance were in place to effectively manage credit risk which is inherent given the nature of the business. It monitored the overall and product specific



concentration limits, reviewed lending policies and the implementation of the policies commensurate with specified risk appetite, including loan approval authorities, the delinquency trends as well as collection strategies and recommended write-off of specific accounts for Board approval.

Key policies reviewed and approved included: Credit Policy amendments to incorporate Sharia compliant provisions aligned with Murabaha financing which ensured effective implementation of the Islamic Development Bank Line of Credit. The Bank now charges a profit markup on the Murabaha Financing at a fixed rate per annum and a profit markup at the rate of 5% per annum on all overdue principal, and the profit markup payment is applied as a Charity Donation in line with Shari'ah compliant banking practices. The Credit Policy was also amended to incorporate guidance on Transformative Projects given the Bank's new strategic direction including an amendment of terms of reference for the Deal Review Committee, Management Credit Committee and BCC to review and evaluate projects and programs, Management delegated approval lending limit increased from UGX. 1.5 billion to UGX. 2.5

Board Strategic Planning Committee Report

The Board Strategic Planning Committee (BSPC) is comprised of two (2) Non-Executive Directors including Dr. Theodora Twongyirwe Mondo, the chairperson who replaced Mrs. Rita Akot Apell following her exit from the Board, and Dr. Bob Bonabo Munene, and one (1) Executive Director,

billion, Management's discretion to renew and trade/ working capital loans was also approved, among others.

The Committee's reports to the Board contained the following information: credit portfolio performance, adequacy of provisions and the status of non-performing loans, credit applications in the excess of UGX 2.5 billion only and convenes as and when required to consider credit applications falling within its mandate. As at 31st December 2025, the Committee approved loans worth UGX 518.4 billion achieving 81.3% of the target of UGX 637.27 billion. Details of these and other transactions are provided in the sustainability section of the Annual Report.

The Committee held a total of 7 meetings during the year, and details of the attendance are indicated on page 8. Key notable achievements include approval of the Bank's funding of transformative projects worth and feasibility studies. The Committee reviewed its terms of reference to confirm they are adequate and the proposed amendments to the Charter were approved by the Board.

Dr. Patricia Ojangole. The Director Strategy and Corporate Affairs, Director Finance and Business Operations, Chief Economist/Director Economic Research and Knowledge Management and Director Business Technology are attendees at the meetings.

The BSPC membership consists of appropriate skills, knowledge, experience and is of sufficient size relevant to the Bank needs. The Committee's key specific responsibilities as per the Charter include the following:

1 Oversees the Bank's long-term strategy and annual business plans, with quarterly performance reporting by Management.	2 Provides oversight on human resource policies and frameworks.	3 Recommends and monitors remuneration policy for Managing Director and Senior Management, including overall compensation structures and benefits.
4 Ensures recruitment, retention, and succession of high-calibre Management and identifies prospective Board directors.	5 Sets and monitors performance incentives, criteria, and measurement frameworks.	6 Oversees implementation and value delivery of IT and digitization strategy, including return on investment.
7 Oversees Corporate Affairs/Communications, Business Operations, and Research & Knowledge Management functions.	8 Reviews Board composition, skills mix, diversity, independence, and effectiveness.	9 Recommends succession plans for Board members and Senior Management
10 Reviews and recommends annual Development Impact Reports for Board approval.	During the year, the Committee considered various strategic issues including the following: - Recommended key structures, including Business Technology, Green Finance, and Enterprise Support functions. - Recommended policies: Grievance, Security, Bonus, Green Finance, Travel, and ExCo ToR. - Recommended Rubikon core banking system upgrade to improve efficiency.	

The Committee held 4 meetings during the year, and details of the attendance are indicated on page 8. The Committee reviewed its terms of reference to confirm they are adequate and the proposed amendments to the Charter were approved by the Board.

Board Audit and Risk Committee Report

The Board Audit and Risk Committee (BARC) is constituted of three (3) Independent Non-Executive Directors namely, Dr. Albert Richards Otete, the chairperson, Dr. Theodora Twongyirwe Mondo and Dr. Bob Bonabo Munene who joined the Committee following the retirement of Mrs. Rita Akot Apell. The Chief Internal Auditor, Director Finance and Business Operations, Head Legal, Director Risk and Director Business Technology are attendees at the meetings. The Board is satisfied with the composition of the committee. At least one member has recent and relevant financial and accounting experience, and the Committee collectively had competences relevant to the banking industry. During the year, the Committee fulfilled its oversight responsibilities

on the evaluation of the adequacy and efficiency of accounting policies, challenged the integrity of financial reporting, internal controls, and risk management, including the determination of how principles on corporate governance were well implemented.

During the period under review, the Committee considered the following and recommended the same to the Board:

- Evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, risk management and auditing processes applied within the Bank in the day-to-day management of its business.



- ii. Expected Credit Loss
- iii. Management and Audited accounts
- iv. Risk Appetite Statement
- v. Approved Policies including amendments namely: Amendments to the Anti Money Laundering Policy, Compliance Risk Policy, Anti-fraud and Corruption Policy, and Internal Audit Policy.

The Committee held five (5) meetings during the period as indicated on page 8. The Committee reviewed its terms of reference to confirm they are adequate and the proposed amendments to the Charter were approved by the Board.

Internal Control

Oversight & framework

- BARC monitored internal controls and compliance with the Enterprise-wide Risk Management Framework
- Applied three lines of defense model

Sources of assurance

- Reports from departmental heads, Risk & Compliance, and Internal Audit
- Engagement with internal and external auditors

Key finding

- No material breakdowns in internal controls during the year

Financial controls

- Internal accounting controls adequate
- Financial records reliable for Annual Financial Statements
- Strong accountability for assets and liabilities

Overall conclusion

- Internal controls effective in all material respects throughout the year

Internal Audit

The Internal Audit Function reports directly to the Board Audit and Risk Committee (BARC) and has an administrative reporting line to the Managing Director. The BARC ensures the Internal Audit Function is independent and has the necessary resources and authority to effectively discharge its duties.

The BARC monitors the adequacy and effectiveness of internal controls on a quarterly basis and assesses the effectiveness of the Internal Audit Function. The BARC reviewed and approved the Internal Audit Plan, which was fully implemented during the period, save for 1 advisory engagement standing at 67% completion.

The Committee monitored and challenged, where appropriate, the actions taken by Management concerning adverse Internal Audit findings. This was a key concern for the Board, and the timely closure of audit issues was a key deliverable for staff in the 2025 performance contracts. The Committee is satisfied with the independence and effectiveness of the internal audit function.

In the period under review, the BARC approved an amendment to the Internal Audit Charter to reposition the Internal Audit Function as a Unit that strengthens the Bank’s ability to create, protect, and sustain value by providing the Board and

Management with independent, risk-based, and objective assurance, advice, insight, and foresight.

In addition, the Committee approved a new 3-year Strategic Plan for the Internal Audit Function effective 1st July 2025 in accordance with the new Global Internal Audit Standards Domain IV. The Strategic Framework comprised of:

- i. Purpose: to enhance the Bank’s ability to create, protect and sustain its transformative development agenda.
- ii. Vision: a data driven and trusted strategic advisor.
- iii. Strategic objectives:
 - a. Embed a value-centric approach in all engagements by aligning assurance and advisory engagements to strategic and development outcomes of the Bank.
 - b. Build trusted relationships with stakeholders by delivering insightful, timely, and foresight-driven assurance and advisory services.
 - c. Leverage data analytics and emerging technologies to enhance the quality, efficiency, and value delivery of the assurance and advisory services.
 - d. Develop a multidisciplinary, tech-savvy, and future-ready audit team equipped to address evolving risks and support strategic transformation.

The Function is positioned to support the Company achieve its strategic objectives. The BARC and the Chief Internal Auditor hold exclusive sessions in the absence of Management to discuss sensitive

matters or matters of concern to the Committee. This is a substantive agenda item on the Committee’s agenda for meetings.

External Control

Auditor appointment

- Principal auditor: **Auditor General**
- Delegated audits (2024–2026) to Ernst & Young (approved at 11th AGM, 23 July 2024)

Independence & standards

- External auditor confirmed independent
- Audit conducted per International Standards on Auditing (ISA)

BARC oversight

- Approved audit plan, engagement letter, and scope of work (FY ended 31 Dec 2025)

- Monitored auditor’s skills, independence, execution, reporting, and performance

Audit review & follow-up

- Reviewed External Auditor’s report and agreed action plans
- Management provides regular updates on implementation
- Internal Audit gives quarterly assurance on closure of issues

Private engagement

- BARC held private sessions with the External Auditor

Financial Statements

The Committee reviewed the financial statements of the Bank and confirms that the statements were prepared in accordance with the Companies Act, 2012 and the International Financial Reporting Standards. During the period, the Committee:

- i. Reviewed and discussed the audited Annual Financial Statements with the External Auditor and Management.
- ii. Reviewed the Management Letter and Management’s responses.
- iii. Reviewed significant adjustments resulting from audit queries and accepted unadjusted audit differences.
- iv. Reviewed areas of significant judgements and estimates in the Annual Financial Statements; and
- v. Received and considered reports from the Internal Audit Function.

Expertise and Experience in the Finance Function

The Committee considered and satisfied itself with the overall appropriateness of the expertise, experience, and adequacy of the resources within the Bank’s Finance function.

Going Concern

Based on the current financial projections and facilities available, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future, at least for the next twelve (12) months. The Directors accordingly continue to adopt the going concern basis in the preparation of the Bank’s annual financial statements. The Auditor General has confirmed this opinion.

Risk Management

The Board delegated the oversight of the Bank’s risk management function to the Audit and Risk Committee (BARC). The BARC reviewed the Risk Appetite Statement for the year 2025 and monitored the following risk categories, strategic risk, credit risk, operational risk, market risk, liquidity risk, compliance risk, sustainability risk, technology risk and reputational risk, and is satisfied that appropriate and effective controls were in place to identify and mitigate the risks. The Bank continues to adopt agile approaches to risk management with a view to remaining resilient.

Company Secretary

The Company Secretary is accountable to the Board and plays a pivotal role in the corporate governance of the Bank. The Company Secretary ensures information is made available to Board members in a timely manner, supports all Board and Committee meetings, designs tailored Board induction programs and reviews evaluation tools including co-ordinating any post-evaluation action implementation plans, arranges director training and development as well as provides advisory services to the Board on corporate governance, legal, regulatory and compliance matters.

All directors have unlimited access to the advice and services of the Company Secretary. The Company Secretary acts independently; her appointment and removal are a matter for the entire Board. The Company Secretary fulfils a dual role as Secretary on the Board and General Counsel on the Executive Committee of the Bank.

BOARD OF DIRECTORS as at 31 December 2025



Mr. Geoffrey T. Kihuguru
Board Chairperson

Age: 64 **Appointed:** 2025
Other roles: President of the Institute of Corporate Governance of Uganda, Chairman of the Board of Trustees of Ripple Effect Uganda, Chief Executive Officer of Pentad Insurance Brokers Ltd.



Dr. Patricia Ojangole
Managing Director

PhD in Development Finance from the University of Stellenbosch Business School in South Africa, M.Phil in Development Finance (cum laude), University of Stellenbosch Business School; Masters in Business Administration from ESAMI; B.Com Makerere University; FCCA; CPA; Member of the Institute of Internal Auditors (IIA)
Age: 47 **Appointed:** 2018
Directorship in other institutions: Director Trade Mark EA, Busitema University Fund & Liberty Life Assurance (U) Ltd.



Dr. Albert Richards Otete
Board Member

PhD in Business Administration from Swiss School of Management; Masters of Business Administration from the Eastern and Southern African Management Institute (ESAMI); Bachelor's degree in Commerce from Makerere University; CPA; Certified Information Systems Auditor; Certified Information Security Manager; Member of the League of East African Directors (LEAD)
Age: 55 **Appointed:** 2023
Directorship in other institutions: Finance Trust Bank Limited.
Other Roles: Board Advisor for National Social Security Fund.



Mr. Joe Busulwa Kayongo
Board Member

Master of Business Administration (MBA) from the University of Nairobi, Bachelor of Commerce (BCom) from Makerere University, Post Graduate Diploma from the Research Institute of Advanced Training from the Netherlands.
Age: 76 **Appointed:** 2022
Directorship in other institutions: Director, Precision Consulting Limited.

BOARD OF DIRECTORS as at 31 December 2025



Dr. Bob Bonabo Munene
Board Member

PhD in Economics from the University of Western Cape (South Africa); Master of Science in Developement Economics, Uganda Martyrs University; Master of Business Administration, ESAMI; Bachelor of Science (Statistics & Economics) Makerere University
Age: 41 **Appointed:** 2023
Other Roles: Council Member Uganda Institute of Banking and Financial Services.



Assoc.Prof. Racheal Mindra Katoroogo
Board Member

PhD in Finance from Wits Business School, University of the Witwatersrand (South Africa); an Master of Arts in Money, Banking & Finance from Loughborough University (UK) and a Bachelor of Business Administration (Finance) from Makerere University (Uganda)
Age: 44 **Appointed:** 2025
Directorship in other institutions: Board Member of the Uganda Securities Exchange, Chairperson of the Board of Trustees of the MUBS Retirement Benefits Scheme, Director at the Research and Education Network of Uganda (RENU) – Financial Services Board, Member of Kyambogo University Senate
Other Roles: Dean of the Faculty of Commerce at Makerere University Business School (MUBS).



Dr. Theodora Twongyirwe Mondo
Board Member

PhD in Computing from Mbarara University of Science and Technology, Master of Science in Computer Science from the University of Birmingham (UK), Bachelor of Engineering in Mechanical and Manufacturing Engineering from the University of Leeds (UK).
Age: 49 **Appointed:** 2025
Directorship in other institutions: Board Member, National Information Technology Authority-Uganda (NITA-U), Uganda Women Entrepreneurship Association Ltd, Uganda Manufacturers Association and Kampala International University Council.
Other Roles: Senior Lecturer in the Department of Mechanical and Industrial Engineering at Mbarara University of Science and Technology.



MANAGING DIRECTOR'S STATEMENT

Uganda Development Bank (UDB) launched its Fourth Strategic Plan (2025–2029), reinforcing its role in driving private sector-led transformation through targeted interventions that unlock investment, mobilise capital, and boost enterprise competitiveness.

Advancing Uganda's Transformation Through Strategic Development Finance

In 2025, the global economy remained broadly stable but subdued, with growth moderating to 2.7% amid tighter financial conditions, evolving trade dynamics, and persistent geopolitical risks. While advanced economies experienced slower expansion, Emerging Markets and Developing Economies including Sub-Saharan Africa, which grew by 4.0% continued to anchor global activity, supported by resilient domestic demand and investment.

Against this backdrop, Uganda's economy demonstrated strong resilience, expanding by 6.3% in 2025, up from 6.1% in the previous year, underpinned by solid performance across agriculture, industry, and services. Macroeconomic stability improved significantly, with headline inflation easing to 3.3% from 5.4% in 2024, while core inflation moderated to 3.6%, reflecting stable prices and improved supply conditions. Business sentiment strengthened over the course of the year, with the Business Tendency Index rising to 58.1 from 56.9 in 2024, signalling sustained optimism and expanding economic activity.

Within this context, Uganda Development Bank (UDB) commenced implementation of its Fourth Strategic Plan (2025–2029), reinforcing its role as a catalytic development finance institution focused on accelerating private sector-led transformation. Throughout the year, the Bank deepened its contribution to national development by deploying targeted financial and non-financial interventions that unlock investment, crowd in capital, and strengthen enterprise competitiveness across priority sectors.

Stimulating Private Sector Growth

During the year, the Bank approved **UGX 518.4** billion in new funding to support 120 projects across the country. Additionally, UDB disbursed a total of **UGX 502.2** billion, representing a 29% increase from **UGX 388.7** billion disbursed in 2024, and expanded its footprint to 689 active clients across 105 districts, up from **524** clients in **92** districts in 2024.

A significant share of this financing (64%) was directed toward agriculture, agro-industrialization, and manufacturing, reinforcing the Bank's strategic focus on value addition and productive sectors. The Bank also expanded its support to early-stage and innovative enterprises through its equity investments, including ventures in manufacturing, digital tourism, and electric mobility.

The projects approved in 2025 when fully implemented, are projected to create over **33,600** jobs, generate **UGX 5.2** trillion in additional output, and contribute approximately UGX 918.7 billion in tax revenues, reinforcing a strong pipeline of future development impact.

Financial Performance and Sustained Institutional Growth

The Bank recorded strong financial performance in 2025, underpinned by disciplined execution and a strengthened funding base. Profit before tax increased by 25.2% to **UGX 91.6** billion from **UGX 73.2** billion, while profit after tax rose by 9.7% to **UGX 63.4** billion from UGX 57.8 billion.

In terms of size, the Bank's Total assets grew by 27% to **UGX 2.26** trillion from **UGX 1.78** trillion, supported by significant capital injections and increased borrowings from development partners. The Bank's gross loan portfolio expanded by 7.7% to **UGX 1.77** trillion from UGX1.60 trillion, with net loans and advances rising by 6.6% to **UGX 1.63** trillion.

Operational efficiency remained robust, with the cost-to-income ratio (without impairment) sustained at 33%. Total equity increased by 24.8% to **UGX 1.89** trillion, reinforcing the Bank's capital position and its capacity to scale development impact.

Strengthening Funding and Partnerships

The Bank significantly enhanced its funding base, with total new funding increasing to **UGX 437.9** billion, driven by Government capital contributions and new borrowings from development partners. The onboarding of new partners including Islamic Corporation for the Development of the Private Sector (ICD) and the European Investment Bank (EIB) is a testament to stakeholder confidence in the Bank's institutional strength and development impact.

Impact on Society (2025)	Impact on the Economy (2025)
69,202 Jobs created/maintained	UGX 6.26 trillion gross output (up from UGX 6.05 trillion)
73% Jobs held by youth	UGX 1.16 trillion total profits (up from UGX 1.06 trillion)
39% Jobs held by women	UGX 387 billion in taxes (+21.7% from 2024)
	79% of total taxes are Industrial sector contribution

Government support remained instrumental to the Bank's growth. The Bank secured **UGX 77** billion in additional capital contributions from the Government, complemented by sovereign guarantees and the conversion of prior funding into share capital. These interventions significantly strengthened the Bank's funding base.

Deepening Non-Financial Interventions and Catalytic Programs

- Under its Special Programs proposition, the Bank continued to deepen targeted support to youth, women, and SMEs, with a cumulative portfolio of **UGX 68.4** billion. In 2025, **UGX 18.6** billion was disbursed, while an additional **UGX 21.1** billion was approved in new funding to support enterprises across all regions of the country.
- The Bank scaled interventions to support Uganda's creative economy. Through a strategic partnership with Next Media, the Bank supported the establishment of state-of-the-art content hubs in Kampala and select regional locations, creating over **200** direct jobs and generating additional indirect opportunities across the media and digital content sectors.
- In advancing its leadership in green finance, the Bank extended support towards both adaptation and mitigation initiatives. As part of this effort, **UGX 26.1** billion was approved to support green projects, with 85% allocated to climate adaptation initiatives and 15% to mitigation efforts.

Beyond financing, the Bank continued to provide other transformative interventions aimed at boosting economic resilience.

- To strengthen enterprise resilience and investment readiness, the Bank's Enterprise Development Program supported **238** SMEs through incubation and advisory services across multiple regions in the country.

These interventions reflect the Bank's integrated development approach that combines capital, capability building, and ecosystem support.

Expanding Our Reach

During the period, the Bank expanded its regional footprint with the opening of regional offices in Bunyoro (Hoima) and Eastern region (Mbale), building on the existing offices in Gulu (Northern Region) and Kampala. The Bank is set to further strengthen its national coverage by establishing additional representative offices in West (Mbarara) and West Nile (Arua) in 2026.

Recognition and Awards

The Bank's strong performance and growing impact were affirmed through several distinguished recognitions during the year. UDB secured the highest national credit rating of '**AA+ (Uga)**' with a Stable Outlook from Fitch Ratings, alongside a 'B' Long-Term Issuer Default Rating, signalling sustained institutional strength and credibility with investors.

At the global level, the Bank received the **Outstanding Business Sustainability Achievement Award** at the Karlsruhe Sustainable Finance Awards 2025 in Germany, reflecting its leadership in financing sustained economic transformation.

In addition, the Managing Director was named **Banker of the Year** at the Africa Banker Awards, highlighting exemplary leadership and UDB's increasing role in driving Uganda's socio-economic transformation.

The Bank maintained an '**A+**' rating issued by the Association of African Development Finance Institutions (AADFI) Secretariat, placing it among Africa's top 5 performing Development Finance Institutions (DFIs), underscoring its strong adherence to sound practices in governance, operational efficiency, and overall performance.

Based on the Bank's FY 2025 Operational and Financial results, management expects to maintain this rating at

the forthcoming AADFI reassessment, in line with the Association's two-year review cycle.

Looking Ahead

As the Bank advances implementation of its 2025–2029 Strategic Plan, it will continue transitioning toward a more programmatic approach to development financing, proactively addressing sector bottlenecks, mobilizing blended capital, and scaling high-impact investments in priority growth sectors particularly Agro-industrialization, Tourism development, Mineral development (including oil & gas), and Science & Technology innovation (ATMS).

The Bank will strengthen its role in project preparation, transaction advisory, and capital mobilization. In doing so, UDB is well positioned to translate Uganda's development priorities into bankable investments that deliver measurable socio-economic transformation..

Government support continued to play a pivotal role in the Bank's growth, with the institution securing UGX 77 billion in additional capital contributions. This was further strengthened by sovereign guarantees and the conversion of previously extended funding into equity.

Appreciation

On behalf of Management and staff, I extend our sincere appreciation to His Excellency the President of the Republic of Uganda, H.E. Yoweri Kaguta Museveni, for his steadfast support and visionary leadership.

We are equally grateful to our shareholders, the Ministry of Finance, Planning and Economic Development, for their ongoing commitment and support to the Bank's mandate. I wish to thank the Chairman and Board of Directors for their strategic guidance and oversight, and our staff for their dedication and professionalism.

To our clients and partners, we deeply appreciate your continued trust and collaboration. As we look ahead, we remain committed to scaling impact, deepening partnerships, and accelerating Uganda's inclusive and sustainable transformation, with the aim of **improving the quality of life of Ugandans.**



Dr. Patricia Ojangole
Managing Director



The Bank supported youth, women, and SMEs, reaching **UGX 68.4** billion, with **UGX 18.6** billion disbursed in 2025 and **UGX 21.1** billion approved nationwide, under its Special Programs.

LEADING WITH IMPACT: THE EXECUTIVE TEAM



Dr. Patricia Ojangole
Managing Director

PhD and MPhil Development Finance (cum laude), University of Stellenbosch Business School, South Africa
MBA, ESAMI, Tanzania
BCom, Makerere University, Uganda



Ms. Sophie K. Nakandi
Head Legal and Company Secretary
PGD Legal Practice, Law Development Centre, Uganda
Masters in Business Law, De Montfort University, UK
BA of Law, Makerere University, Uganda



Mr. Joshua Allan Mwesiga
Director Strategy and Corporate Affairs
MSc Human Resources Management, Herriot Watt University, UK
Advanced Diploma in Modern Management & Administration, Cambridge International College, UK
BA Social Sciences, Makerere University, Uganda



Mr. Samuel Edem Maitum
Director Credit
MSc Accounting and Finance, University of Greenwich, UK
BA Social Sciences (Economics), Makerere University, Uganda



Dr. Francis Mwesigye
Director Economic Research and Knowledge Management
PhD and Masters in Development Economics (Policy Analysis), National Graduate Institute of Policy Studies, Japan
BA Economics, Makerere University, Uganda



Mr. Sylvester Kyeyune
Director Risk
MBA, Makerere University, Uganda
Bcom, Makerere University, Uganda – Accounting
Alumnus of Strathmore Business School, Kenya



Mr. Denis Ochieng
Director Finance and Business Operations
MSc Financial Risk Management, Caledonian University, United Kingdom
BCom, Makerere University, Uganda
Fellow of the Association of Chartered Certified Accountants (FCCA)



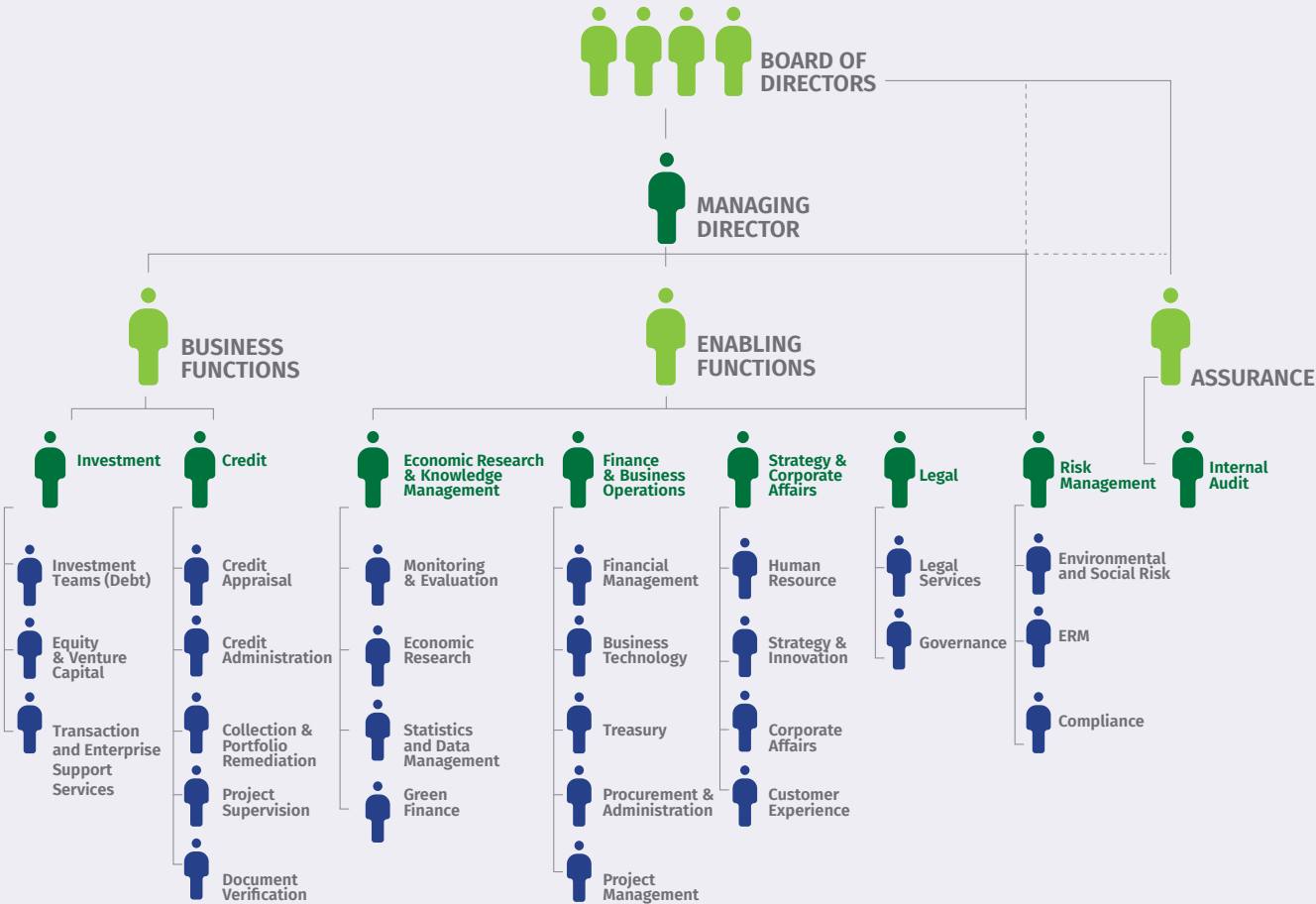
Mr. Mahamoud Andama
Director Investments
MBA, Edinburgh Business School – Heriot WATT University, UK
MA in International Economics and Trade degree, Shanghai University, Peoples Republic of China
BA Business Admin Makerere University, Uganda



Mr. Stephen Hamya
Chief Internal Auditor
Master of Leadership in Sustainable Finance from the Frankfurt School of Finance & Management
Bcom, Makerere University, Uganda
Fellow of the Association of Chartered Certified Accountants (FCCA)

EXECUTING WITH IMPACT ORGANIZATIONAL STRUCTURE

as at 31 December 2025





02

OPERATING ENVIRONMENT



Overview of Global Economic Performance 2025 and Outlook

Global economic growth is slowing but remains broadly steady. Growth moderated to 2.7 percent in 2025 from 2.8 percent in 2024, reflecting post-pandemic recovery challenges, geopolitical tensions, and cautious investment across major markets.

The outlook points to a further slight easing to 2.6 percent in 2026, amid softer global demand and tighter financial conditions, before improving to 2.7 percent in 2027 as global trade stabilises and investment gradually strengthens (World Bank, 2026). Advanced economies grew by 1.7 percent in 2025, the same as in 2024, and are expected to slow

to 1.6 percent in both 2026 and 2027, reflecting ageing populations, structural constraints, and persistent inflationary pressures. The United States' growth slowed to 2.1 percent in 2025 from 2.8 percent in 2024 amid moderating consumer spending and tighter monetary policy, with growth projected at 2.4 percent in 2026 before easing to 2.0 percent in 2027 as labour markets tighten.

The Euro area improved to 1.5 percent in 2025 from 0.9 percent in 2024, supported by fiscal stimulus and improved energy supply, and is projected at 1.3 percent in 2026 and 1.4 percent in 2027. Japan rebounded to 1.1 percent in 2025 from -0.2 percent in 2024, but growth is expected to slow to 0.7 percent in 2026 and 0.6 percent in 2027 due to demographic pressures and weak domestic demand.

Emerging Markets and Developing Economies (EMDEs) continue to drive global activity, though at a slightly slower pace. Growth increased to 4.4 percent in 2025 from 4.3 percent in 2024 and is forecast at 4.2 percent in 2026 and 4.1 percent in 2027 amid weaker global demand and tighter financial conditions. China recorded 5.0 percent growth in 2025 and is projected to grow at 4.5 percent in 2026 and 4.0 percent in 2027. India's growth rate accelerated to 7.3 percent in 2025 from 6.5 percent in 2024, supported by strong consumption and infrastructure spending, with growth projected at 6.4 percent in 2026 and 6.4 percent in 2027. Russia's growth slowed sharply to 0.6 percent in 2025 from 4.3 percent in 2024, with a modest recovery forecast at 0.8 percent in 2026 and 1.0 percent in 2027, reflecting sanctions and limited capital inflows. Brazil grew 2.3 percent in 2025, down from 3.4 percent in 2024, with growth projected at 2.0 percent in 2026 before rebounding to 2.3 percent in 2027.

In Sub-Saharan Africa, growth increased to 4.0 percent in 2025 from 3.7 percent in 2024 and is projected at 4.3 percent in 2026 and 4.5 percent in 2027, supported by fiscal reforms, commodity recovery, and stronger investment. Nigeria recorded 4.1 percent growth in 2024 and 4.2 percent in 2025, with



growth projected at 4.4 percent in 2026 and 4.4 percent in 2027 due to oil sector recovery. South Africa expanded to 1.3 percent in 2025 from 0.6 percent in 2024 and is projected to grow by 1.4 percent in 2026 and 1.5 percent in 2027, supported by improving business confidence and gradual progress in the energy sector.

Table 1: Global Real GDP Growth and Projections (%), 2024-2027

	Actual		Projections	
	2024	2025	2026	2027
World Output	2.8	2.7	2.6	2.7
Advanced Economies	1.7	1.7	1.6	1.6
United States	2.8	2.1	2.2	1.9
Euro Area	0.9	1.4	0.9	1.2
Japan	-0.2	1.3	0.8	0.8
Emerging Market and Developing Economies (EMDEs)	4.3	4.2	4.0	4.1
China	5.0	4.9	4.4	4.2
India	6.5	7.2	6.5	6.6
Russia	4.3	0.9	0.8	1.0
Brazil	3.4	2.3	2.0	2.3
Sub-Saharan Africa	3.7	4.0	4.3	4.5
Nigeria	4.1	4.2	4.4	4.4
South Africa	0.6	1.3	1.4	1.5

Source: World Bank, Macroeconomic Indicators, December 2026

Implication: Slower global growth and tighter financial conditions in 2025–2026 may limit Uganda's export demand and foreign investment inflows, though resilient EMDE and Sub-Saharan Africa growth support trade and regional investment opportunities.

East African Community (EAC) Economic Activity and Outlook

Economic activity in the East African Community (EAC) remained strong in 2025, supported by resilient domestic demand, infrastructure investment, and recovery in agriculture and services. Rwanda recorded the highest growth at 7.0 percent, driven by strong services activity and infrastructure development. Growth is projected to increase to 7.2 percent in 2026 and 7.6 percent in 2027 as investment reforms and infrastructure spending continue. Uganda's economy expanded by 6.3 percent in 2025, reflecting improved performance in agriculture, services, and public investment. Growth is projected to rise from 6.4 percent in 2026 to 9.8 percent in 2027 following the commencement of oil production, alongside continued infrastructure development and expansion in services and industry. Tanzania recorded growth of 6.0 percent in 2025, supported by infrastructure development and expanding services activity, and is forecast to grow from 6.2 percent in 2026 to 6.5 percent in 2027, reflecting sustained public investment, improved energy supply, and expansion in manufacturing and tourism.

Kenya's economy grew by 4.9 percent in 2025 due to a recovery in agriculture and services. Growth is expected to remain stable at 4.9 percent in 2026 before increasing slightly to 5.0 percent in 2027, supported by agricultural recovery, services expansion, and infrastructure spending. Burundi expanded by 4.6 percent in 2025 due to improvements in agricultural production and continued donor support, and growth is projected to strengthen from 4.9 percent in 2026 to 5.5 percent in 2027, supported by higher agricultural productivity and development assistance. The Democratic Republic of the Congo grew by 5.1 percent in 2025, reflecting strong mining activity and infrastructure development, and is forecast to expand to 5.1 percent in 2026 and 5.3 percent in 2027 due to sustained mining investment and infrastructure expansion. South Sudan's economy contracted sharply by 23.8 percent in 2025 due to disruptions in oil production and ongoing political and security challenges. Growth is projected to rebound significantly to 48.8 percent in 2026 following the restoration of oil production, before moderating to 0.8 percent in 2027.

Table 2: Real GDP Growth Rates for Selected East African Countries (2024–2027, Percent)

Countries	Actual		Projections	
	2024	2025	2026	2027
Uganda	6.1	6.3	6.4	9.8
Kenya	4.7	4.9	4.9	5
Tanzania	5.5	6.0	6.2	6.5
Rwanda	7.2	7.0	7.2	7.6
Burundi	3.9	4.6	4.9	5.5
DR Congo	6.5	5.1	5.1	5.3
South Sudan	-7.2	-23.8	48.8	0.8

Source: World Bank, Macroeconomic Indicators, December 2026

Implication: Uganda stands to benefit from strong EAC growth through expanded regional trade, investment flows, and economic integration. Improved infrastructure and services across the region create cross-border trade opportunities, boosting Uganda's industry, services, and oil sectors.

Upside Factors and Downside Risks in the Global Economic Outlook

The global economy is expected to remain resilient in the medium term, with growth projected at 2.6 percent in 2026 and 2.7 percent in 2027 (World Bank, 2026). This steady performance reflects a balance of divergent forces. Key drivers include technological investment, particularly in digital infrastructure, automation, and artificial intelligence, which is boosting productivity, especially in North America and Asia. For example, AI-related investment in the United States contributed about 0.3 percentage points to GDP growth in early 2025 (IMF, 2025). Monetary easing in major economies, declining global inflation from 4.1 percent in 2025 to 3.8 percent in 2026, and fiscal stimulus through infrastructure projects and tax incentives further support consumption, investment, and trade. Resilient growth in emerging and developing economies, such as China, India, and sub-Saharan Africa, also strengthens global momentum. China is expected to grow at 4.5 percent in 2026, supported by trade truce benefits and stimulus measures, while India is projected to grow at 6.4 percent due to strong domestic demand.

Despite these positive drivers, the global outlook is exposed to significant risks. Geopolitical tensions, including conflicts in the Middle East and Ukraine or trade disputes between major economies, could disrupt supply chains, raise commodity prices, and increase uncertainty in financial markets. High public debt and fiscal deficits in several economies may limit investment and raise borrowing costs. Volatility in energy markets, particularly oil, can increase production costs for countries dependent on imports. Slower growth in advanced economies



World trade volume growth, although easing from 4.1 percent in 2025 to 2.6 percent in 2026, is expected to recover to 3.1 percent in 2027, supported by technology-related exports in Asia [IMF, 2026]

may reduce global demand, affecting exports and investment flows to developing regions. These vulnerabilities are especially significant for countries such as Uganda, which are closely linked to global trade, commodity markets, and international financial flows. Policymakers should focus on fiscal sustainability, price stability, and targeted interventions to manage risks while leveraging innovation and investment to enhance resilience and medium-term growth potential.

Global Trade and Commodity Markets Outlook

Global Trade

Global trade remained relatively resilient in 2025 despite ongoing uncertainty from trade policies and geopolitical tensions. According to the International Monetary Fund World Economic Outlook Update, December 2025, strong demand for technology products, particularly semiconductors and digital equipment, supported global trade flows. However, trade remained vulnerable to disruptions from policy changes, shifting supply chains, and tensions among major economies.

In 2025, trade policy developments had a major impact on global trade patterns. The United States imposed tariffs of up to 145 percent on certain Chinese exports, including semiconductors and advanced electronics, while China retaliated with tariffs of 125 percent on U.S. goods. A temporary agreement later reduced bilateral tariffs and paused further export restrictions until November 2026. Simultaneously, the United States removed tariffs on some agricultural products for all trading partners,

while previously announced tariffs remained in effect. As a result, the average tariff applied by the United States across all imports was about 18.5 percent, much higher than the global average of 3.5 percent. Despite these challenges, global trade was bolstered by strong investment in digital infrastructure, artificial intelligence, and high-tech

Global Commodity Market Situation

Global commodity markets experienced significant price shifts in 2025, shaped by supply conditions, weather events, and changing global demand. Crude oil (Brent) prices fell to US\$69.04 per barrel in 2025 from US\$80.7 in 2024, reflecting increased supply, softer demand growth, and easing geopolitical risk premiums. Prices are expected to decline further to US\$60 per barrel in 2026 amid persistent surplus, rising non-OPEC production, and slower consumption by major importers.

In agricultural markets, cocoa prices rose to US\$7.8 per kilogram in 2025 from US\$7.33 in 2024 due to adverse weather, crop diseases, and tight supply in Côte d'Ivoire and Ghana, but are projected to ease to US\$7.5 in 2026 as output recovers. Arabica coffee surged to US\$8.47 per kilogram in 2025 from US\$5.62 in 2024, driven by severe weather in Brazil, low global inventories, and strong premium market demand, with prices expected to moderate to US\$7.25 in 2026. Robusta coffee increased to US\$4.86 per kilogram from US\$4.41, reflecting tight supply from Vietnam and sustained demand, and is projected to ease to US\$4.7 in 2026.

manufacturing, especially in Asia, where exports of semiconductors and electronics expanded. Global trade growth is expected to decline from 4.1 percent in 2025 to 2.6 percent in 2026, before rebounding to 3.1 percent in 2027 as firms adjust to new trade policies and supply chain changes (IMF, 2025).

Tea prices declined to US\$2.91 per kilogram in 2025 from US\$3.04, supported by higher output in Kenya, India, Sri Lanka, and Malawi, and are expected to rise slightly to US\$2.95 in 2026 amid climate variability and production costs. Soybeans fell to US\$414.34 per metric ton from US\$462.49, reflecting bumper South American harvests, and are expected to be at US\$410 in 2026. Maize rose to US\$203.2 per metric ton in 2025 from US\$190.6 due to droughts, high input costs, and strong industrial demand, projected to ease to US\$195 in 2026.

Staple and industrial commodity prices also shifted in 2025: rice declined to US\$407.83 from US\$588.42, wheat to US\$243.33 from US\$268.67, sugar to US\$0.37 from US\$0.45, and cotton to US\$1.71 from US\$1.91 per kilogram. These changes were driven by increased supply, robust production, and subdued demand. The outlook for 2026 suggests slight moderation or stabilization across these commodities as production recovers and global demand steadies.

Table 3: Global Commodity prices and outlook, 2022-2025

Year	Actual			Projection	
	2022	2023	2024	2025	2026
Crude oil, Brent (\$/bbl)	99.82	82.62	80.70	69.04	60.00
Cocoa (\$/kg)	2.39	3.28	7.33	7.80	7.50
Coffee, Arabica (\$/kg)	5.63	4.54	5.62	8.47	7.25
Coffee, Robusta (\$/kg)	2.29	2.63	4.41	4.86	4.70
Tea, avg 3 auctions (\$/kg)	3.05	2.74	3.04	2.91	2.95
Soybeans (\$/mt)	675.40	597.90	462.49	414.34	410.00
Maize (\$/mt)	318.81	252.66	190.60	203.20	195.00
Rice, Thai 5% (\$/mt)	436.75	553.67	588.42	407.83	401.00
Wheat, US HRW (\$/mt)	429.97	340.43	268.67	243.33	258.00
Sugar, world (\$/kg)	0.41	0.52	0.45	0.37	0.37
Cotton (\$/kg)	2.86	2.09	1.91	1.71	1.75

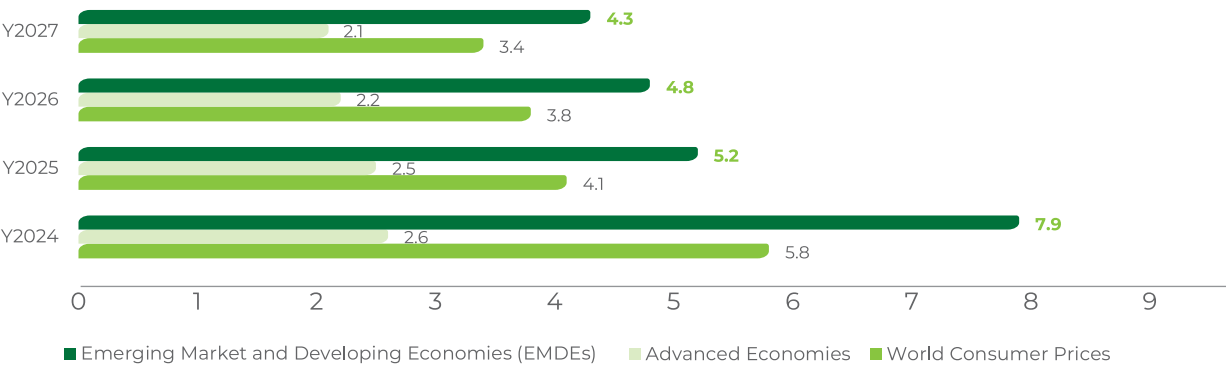
Source: World Bank Commodity Markets Outlook Statistics, 2025.

Global Inflation and Outlook

Global inflation is projected to continue moderating over the medium term as supply pressures ease and energy prices decline. According to the International Monetary Fund World Economic Outlook Update (January 2026), global consumer price inflation declined from 5.8 percent in 2024 to 4.1 percent in 2025, largely reflecting lower commodity prices, improving supply chains, and moderating demand following earlier monetary policy tightening. Inflation is projected to decline further to 3.8 percent in 2026 and 3.4 percent in 2027, supported by softer global

demand and easing energy costs. In advanced economies, inflation is expected to decline from 2.5 percent in 2025 to 2.2 percent in 2026 and 2.1 percent in 2027, reflecting the continued effects of tighter monetary policy and weakening domestic demand. In emerging markets and developing economies, inflation fell from 7.9 percent in 2024 to 5.2 percent in 2025 and is projected to moderate to 4.8 percent in 2026 and 4.3 percent in 2027, supported by stabilizing food and fuel prices and improved exchange rate stability.

Figure 1: Global and Regional Inflation Performance and Outlook (2024–2027)



Source: Computation Based on IFM data, January 2026

Implication: Moderating global inflation, driven by easing commodity prices and supply pressures, supports Uganda's price stability, lowers import costs, and enhances purchasing power, creating a conducive environment for investment and sustainable economic growth

Global trade in 2025 remained resilient but increasingly fragmented due to geopolitical tensions and policy shifts, while commodity prices showed volatility driven by supply and climate factors, with a general trend toward stabilization in 2026



Global trade was bolstered by strong investment in digital infrastructure, artificial intelligence, and high-tech manufacturing, especially in Asia, despite challenges

Domestic Developments

Uganda's Economic Activity

The agriculture, forestry, and fishing sector grew 6.6 percent in 2024/25, led by increased production of cash crops, food crops, livestock, and fish, with cash crops rising 9.9 percent. The industry sector expanded by 7.0 percent, supported by manufacturing growth of 5.5 percent and construction surging 12.2 percent, boosted by higher electricity output. Services grew by 5.4 percent, driven by trade, transport, hospitality, and financial

activities. Sustained growth reflects government initiatives, including the Parish Development Model, Agriculture Credit Facility, EMYOOGA funding, and support to Uganda Development Bank Ltd, alongside favorable weather, stable macroeconomic conditions, and increasing domestic and regional demand. These factors position Uganda for continued robust economic performance in 2025/26.

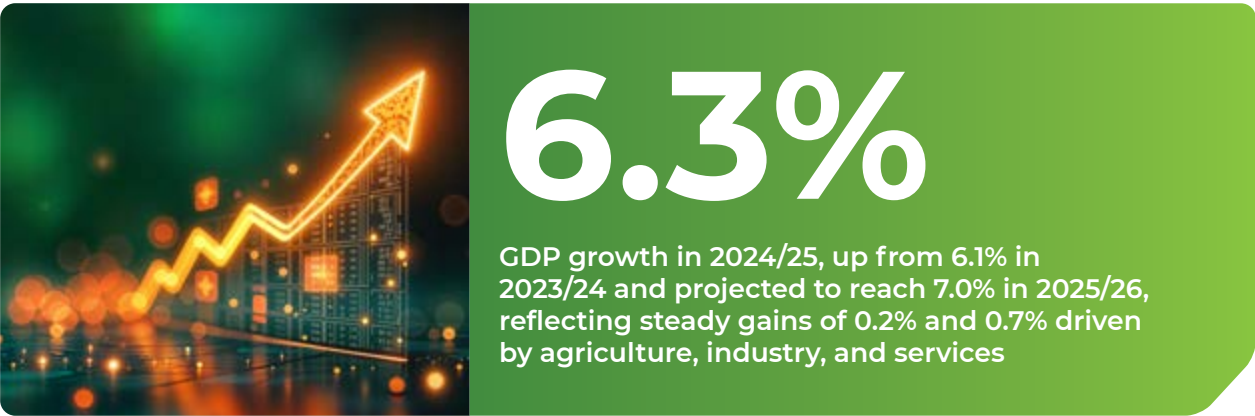
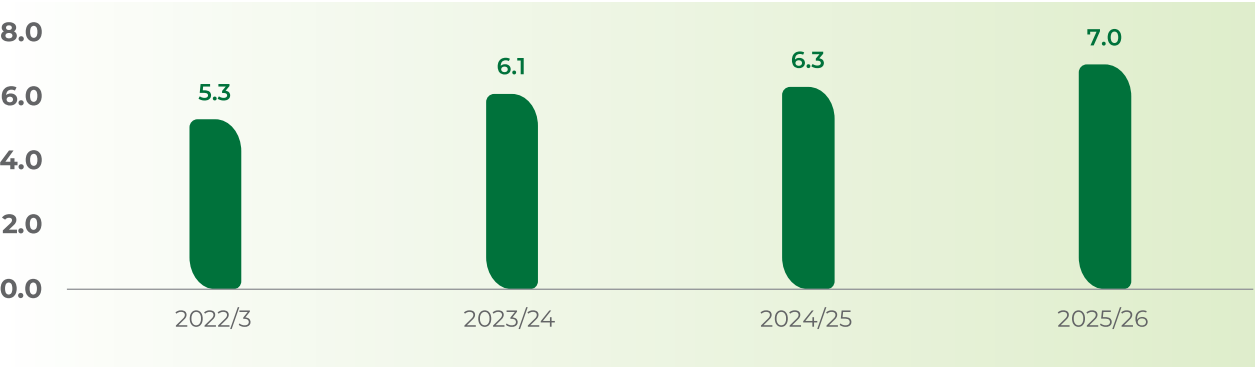


Figure 2: Uganda's GDP Growth Rate at Market Prices and Outlook (%), 2022/23 to 2025/26



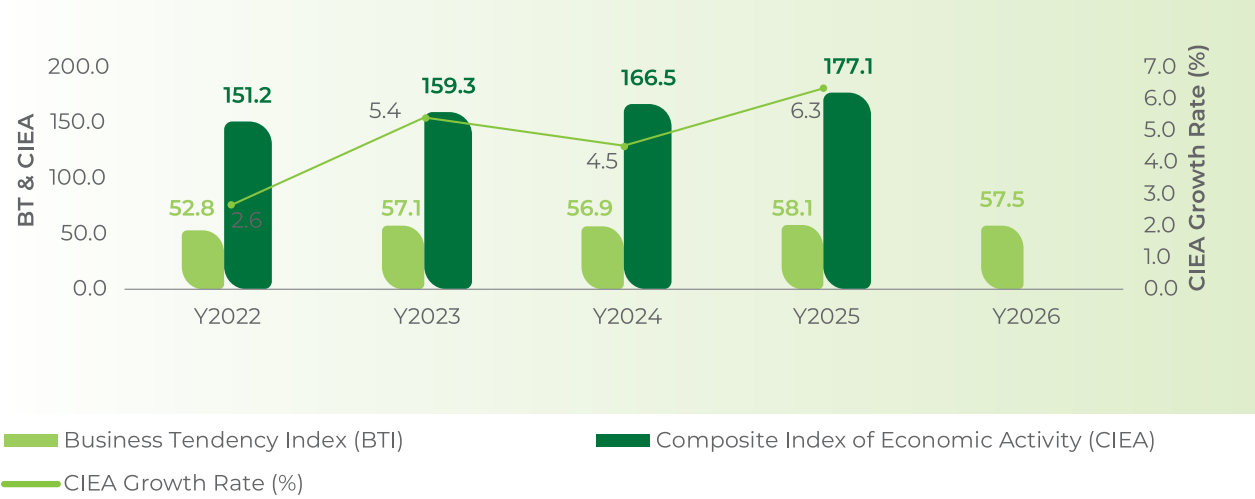
Source: UBOS and IMF World Economic Outlook Database, 2025

Business Perceptions and Economic Activity

Uganda's business confidence strengthened in 2025, as reflected by the Business Tendency Index (BTI), which rose to 58.1 from 56.9 in 2024. This increase signals a more optimistic outlook among enterprises regarding production, sales, and investment conditions. The Composite Index of Economic Activity (CIEA) increased by 6.3 percent, reaching 177.1 in 2025, up from 166.5 in 2024, reflecting a strong

economic environment and heightened market activity. Looking ahead, the Business Tendency Index (BTI) is projected at 57.5 in 2026, indicating continued positive business sentiment, supported by stable policies, ongoing infrastructure investments, and a gradual recovery in key sectors, though with slightly moderated optimism compared to 2025.

Figure 3: Business Tendency Index (BTI) and Outlook, and Composite Index of Economic Activity (CIEA), 2022 to 2026



Source: Bank of Uganda Macroeconomic Indicators, 2025

Business Health and Outlook in Uganda

Uganda's Business Health Index (BHI) shows that business conditions gradually improved over the course of 2025, demonstrating resilience despite a challenging operating environment. The year began under significant pressure, with the index at 39.63 in the first quarter, reflecting subdued production levels, high operating costs, and weak domestic demand. Conditions strengthened in the

second quarter as the index rose to 47.20, supported by improved availability of raw materials, higher production activity, and a gradual recovery in sales. Stabilization continued in the third quarter, with the index reaching 48.62, signalling ongoing recovery, although overall performance remained slightly below the neutral benchmark of 50.



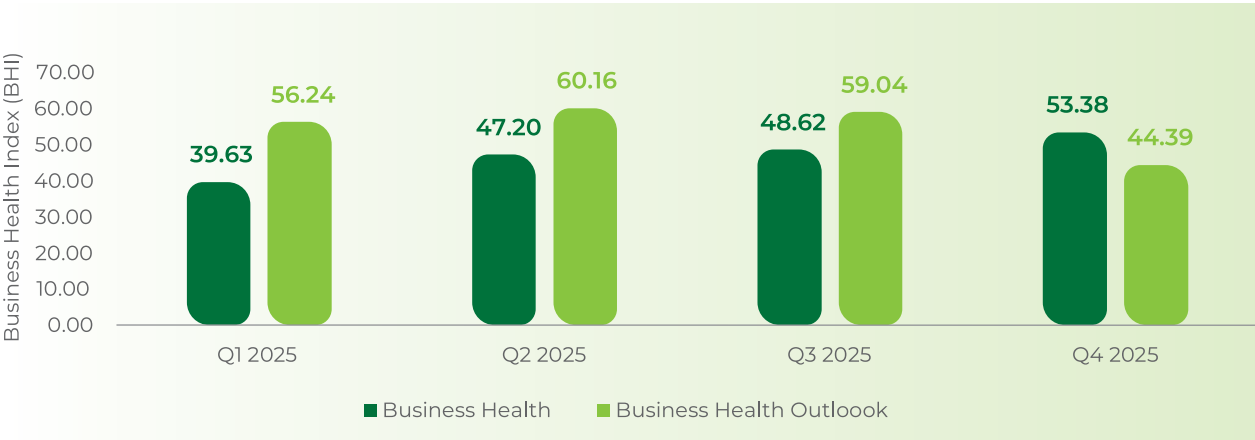
A stronger recovery emerged in the fourth quarter, with the Business Health Index rising to 53.38, moving above the neutral threshold and indicating expansion in business activity. This improvement reflects the resilience of the private sector, supported by stronger end-of-year demand, improved sales volumes, and increased production across several sectors. Nevertheless, enterprises continued to face structural constraints, including high energy and transport costs, limited access to affordable credit, and rising input prices, all of which weighed on profitability and operational efficiency.

Business expectations during most of 2025 remained positive, reflecting confidence in improving economic conditions. The Business Health Outlook Index stood at 56.24 in the first quarter and strengthened further to 60.16 in the second quarter,

indicating strong expectations of higher sales, increased production, and improved profitability. Although optimism moderated slightly in the third quarter to 59.04, expectations remained well above the neutral threshold, signalling sustained confidence and resilience in business sentiment.

The outlook weakened significantly in the fourth quarter, with the index declining to 44.39, falling below the neutral level. The decline reflects growing caution among enterprises regarding near-term economic conditions, including persistent operating costs, financing uncertainties, and concerns about the sustainability of demand. This shift suggests that while businesses demonstrated resilience and stronger performance toward the end of 2025, expectations for the immediate future became more cautious.

Figure 4: Business Health and Outlook in Uganda, Q1–Q4 2025



Source: Computation Based on UDB Business Health Survey Data, 2025

Implication: In 2025, Uganda's business health showed a year of recovery, with conditions steadily improving across the four quarters and eventually surpassing the neutral threshold by year-end. However, the sharp decline in the business health outlook during the fourth quarter signals rising caution among enterprises regarding near-term economic prospects. Addressing structural constraints, such as high energy costs, transport expenses, and limited access to affordable finance, will be critical to ensure that the gains observed in 2025 translate into sustained growth, stronger profitability, increased investment, and job creation in 2026.

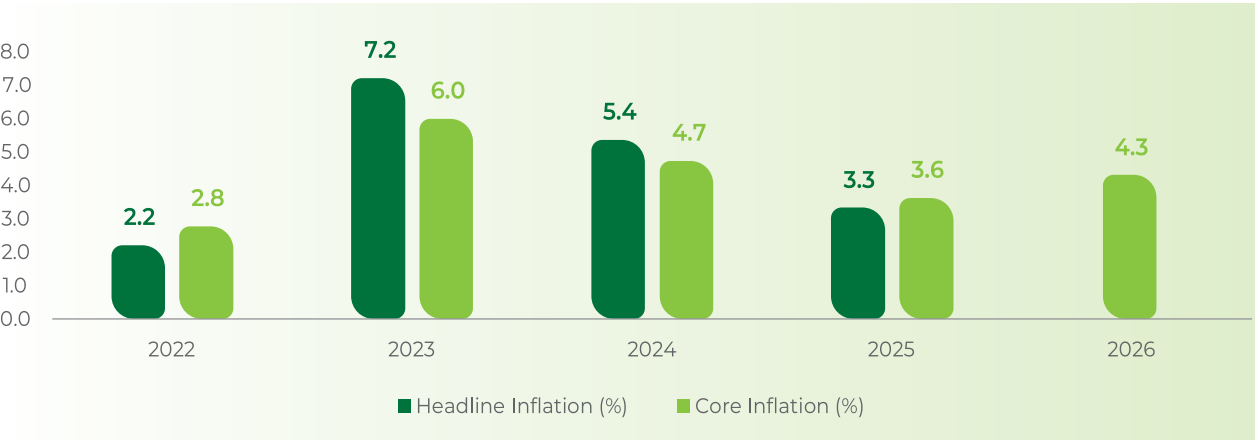
Uganda’s Inflation and Outlook

Uganda experienced a significant moderation in inflation in 2025, with headline inflation declining to 3.3 percent from 5.4 percent in 2024. Core inflation also eased to 3.6 percent from 4.7 percent, reflecting stable prices in services and non-traded goods, supported by favorable food production, steady exchange rates, and contained domestic demand (Bank of Uganda, 2025). This experience provided households and businesses with more predictable costs, enhancing confidence and creating a conducive environment for investment and economic activity.

Looking ahead to 2026, core inflation is projected to rise to 4.3 percent, reflecting slightly higher price

pressures as domestic demand strengthens and investment activity expands. Despite this increase, inflation is expected to remain near the medium-term target, maintaining stability in purchasing power. Upward pressures may arise from stronger domestic demand, driven partly by increased government spending, potential disruptions in global supply chains due to geopolitical tensions, and adverse weather affecting agricultural output. Notably, the declining global commodity prices and weaker global growth from trade shocks and heightened uncertainty could help ease inflation, producing a balanced outlook in which the net effect on prices depends on the interaction of domestic and external factors.

Figure 5: Uganda’s Inflation and Outlook (%), 2022 to 2026



Source: Bank of Uganda Macroeconomic Indicators, 2025

Financial Sector Developments

Performance of Supervised Financial Institutions

The banking industry remained safe and sound over the year to June 2025, supported by the Bank of Uganda's accommodative policy stance and targeted measures to reinforce financial sector stability. Total assets rose from UGX 53.9 trillion in 2024 to UGX 61.3 trillion in 2025, partly driven by a 16 percent increase in government securities to UGX 17.4 trillion. Customer deposits rose from UGX 36.4 trillion to UGX 41.6 trillion, signaling continued public confidence. Lending

to the private sector improved from 6.8 percent in 2024 to 9.2 percent in 2025, supported by cautious credit expansion, though still below the long-term target of 13.5 percent. Profitability strengthened, with aggregate net profit after tax increasing from UGX 1.4 trillion to UGX 1.9 trillion. Non-performing loans improved to 3.7 percent in June 2025 from 5.0 percent in June 2024, reflecting resilience and prudent risk management (Bank of Uganda, 2025).

9.8%

Central Bank Rate (CBR) 2025, a slight decline from 9.9% in 2024, reflecting an approach to supporting economic growth while containing inflationary pressures

The banking industry remained safe and sound over the year to June 2025, supported by the Bank of Uganda's accommodative policy stance and targeted measures to reinforce financial sector stability

Exchange Rate Movements

The Uganda Shilling strengthened by 4.2 percent in 2025, appreciating from UGX 3,754.97 per USD in 2024 to UGX 3,599.13 per USD, supported by robust foreign exchange inflows, policy credibility, and a stable macroeconomic environment. Key drivers included record coffee exports, which rose to US\$2.21 billion (20% of total exports) in FY2024/25 from US\$0.85 billion (15%) in FY2022/23, boosted by high global prices following weather disruptions in Brazil and Vietnam. Remittances increased 11.8 percent to US\$1.57 billion, while FDI grew to US\$3.57 billion from US\$2.97 billion, mainly in oil, manufacturing, and infrastructure. Strong offshore demand for government securities, supported by attractive

Treasury yields and a stable 9.75 percent Central Bank Rate, further reinforced the Shilling.

This appreciation lowered import costs, eased external debt servicing, and anchored inflation expectations, benefiting households and import-dependent industries, while exporters and local manufacturers faced margin pressures. In 2026, the Shilling is expected to appreciate moderately by 1.1% to UGX 3,638.25 per USD, supported by exports, remittances, investment, and credible policy, though risks from coffee price declines, portfolio shifts, and energy volatility remain.

Interest Rate Movements

The Central Bank Rate (CBR) slightly declined to 9.8% in 2025 from 9.9% in 2024, reflecting an approach to supporting economic growth while containing inflationary pressures (Bank of Uganda, 2025). The weighted average lending rate on shilling-denominated credit rose slightly to 18.3% in 2025 from 18.1% in 2024, driven by banks' adjustments to risk perceptions and funding costs despite the stable monetary policy stance (Bank of Uganda,

2025). Looking ahead to 2026, the CBR is projected to moderate further to 9.4%, with lending rates expected to trend slightly lower. This is supported by sustained monetary credibility, moderate inflation, and improved liquidity conditions in the financial system, which are expected to encourage greater borrowing for investment and business expansion while maintaining price stability.

Implication: Stable and gradually declining interest rates enhance access to credit, supporting business growth and investment. At the same time, careful monetary policy oversight remains essential to control inflation and ensure sustainable economic expansion.

Trends in Domestic Credit and Private Sector Financing in Uganda

Uganda's domestic credit expanded to US\$50.23 trillion in 2025 from US\$48.13 trillion in 2024, a 4.3% increase, reflecting sustained credit demand driven by rising business activity and continued government financial interventions (Bank of Uganda, 2025). Net Credit to Government (NCG) fell by 4.6%, from US\$21.59 trillion to US\$20.61

trillion, indicating reduced reliance on domestic borrowing and a modest easing of fiscal pressure. Meanwhile, private sector credit grew robustly by 12.0%, from US\$25.55 trillion to US\$28.62 trillion, highlighting renewed private investment activity and strengthening business confidence (Bank of Uganda, 2025).

Implication: The robust growth in private sector credit supports economic expansion and investment, while lower government borrowing helps reduce crowding-out effects. Striking a balance between fiscal needs and credit availability remains critical for sustaining economic growth and maintaining financial sector stability.

Quality of Loans in Uganda

Uganda's non-performing loans (NPLs) to total gross loans ratio continued to improve in 2025, reflecting strengthening portfolio quality in the banking sector (Bank of Uganda, 2025). The ratio declined from 4.13% in March 2025 to 3.61% by September 2025, building on the 3.98% recorded at the end of 2024. This improvement was supported by a

continued cautious lending approach by supervised financial institutions (SFIs), with banks prioritizing credit to lower-risk borrowers and closely managing exposures amid ongoing government borrowing and liquidity considerations. The strengthening of loan quality was further reinforced by macro-financial stability and targeted monetary policy interventions.

Implication: The declining NPL ratio signals improved risk management and greater resilience in the banking sector, contributing to overall financial stability. Sustaining this trend will require continued prudent lending practices, careful management of exposures, vigilant monitoring of emerging credit risks, and ongoing macroeconomic stability supported by consistent monetary policy guidance.

UDB's Expanding Portfolio and Its Impact on Economic Growth

UDB's portfolio expanded to UGX 1.79 trillion by December 2025, representing 6.3% of total private sector credit, up from UGX 1.67 trillion in 2024. This growth supported strategic sectors, enabling businesses to invest, adopt technology, and scale operations. The expansion in 2025 was driven by rising demand from industrial, agricultural, and

services sectors, as economic activity recovered and government infrastructure projects stimulated private investment. Commercial banks still dominate the credit market, holding over 85% of private sector lending, but UDB's role in long-term strategic financing remains critical.

Implication: The growing UDB portfolio strengthens access to affordable credit for priority sectors, fostering industrialization, job creation, and broader economic transformation.

External Sector Developments

Uganda’s Export Revenues, Trade Balance, and Terms of Trade

Uganda recorded a narrowing trade deficit of 23.2% in 2025, improving from -\$3,005.66 million in 2024 to -\$2,308.48 million. This improvement was supported by a remarkable 55% growth in export revenues, which rose from \$8,668.44 million in 2024 to \$13,433.64 million, reflecting strong global demand for key commodities and increased production in agricultural and industrial sectors. Imports also grew by 34.8%, from \$11,674.10 million to \$15,742.12 million, driven by rising domestic demand and investment in infrastructure and manufacturing. The terms of trade improved by 4.3%, rising from an index of 135.78 in 2024 to 141.58 in 2025, indicating that export prices grew slightly faster than import prices.

Implication: The performance in 2025 highlights a year of strengthened trade activity, with robust export growth contributing to a narrower trade deficit and improved terms of trade, supporting Uganda’s broader economic transformation and integration into global markets.

Uganda’s Trade Balance with the East African Community (EAC)

Uganda’s trade position with the East African Community (EAC) in December 2025 recorded a deficit of US\$260.85 million, as import receipts totaled US\$465.43 million, surpassing export earnings of US\$204.58 million. The overall deficit was primarily driven by large trade imbalances with Tanzania and Kenya, which together accounted for the bulk of Uganda’s EAC trade shortfall.

Trade with Tanzania registered the largest deficit of US\$253.40 million, with imports valued at US\$263.05 million against exports of only US\$9.64 million. This reflects Uganda’s continued reliance on Tanzania for petroleum products, manufactured goods, and industrial inputs. Similarly, trade with Kenya resulted in a deficit of US\$144.63 million, as imports totaled US\$192.22 million compared to exports of US\$47.59 million, driven by high imports of processed goods, pharmaceuticals, and industrial supplies.

On the positive side, Uganda maintained substantial trade surpluses with several EAC partner states, reflecting strong regional export performance. Trade with the Democratic Republic of Congo (DRC) generated the largest surplus of US\$63.20 million, with exports of US\$66.47 million against imports of US\$3.27 million, supported by strong demand for Ugandan food products, cement, beverages, and manufactured goods. A surplus of US\$42.62 million was recorded with South Sudan, where exports stood at US\$46.08 million compared to imports of US\$3.46 million. Uganda also posted a surplus of US\$25.24 million, with Rwanda, with exports of US\$28.22 million against imports of US\$2.98 million, while trade with Burundi remained favorable, recording a surplus of US\$6.14 million, supported by exports of US\$6.58 million compared to imports of US\$0.45 million.

Implication for Uganda: Uganda’s EAC trade shows deficits with Tanzania and Kenya, highlighting import reliance, while surpluses with other partners reflect export potential. Strengthening production and competitiveness can reduce deficits and boost regional trade integration.

Uganda’s Economic Outlook and Risks [FY2025/26]

6.5% → 7.0%
Projected GDP growth

8.0%
Medium-term average growth

Growth Drivers

- + Infrastructure Projects
- Large scale public investments + Private Sector Investment
- Sustained business expansion

Key Risks

- ↑ Global Commodity Prices → Higher import costs
- ↓ Global Demand → Reduced exports & investment
- ⚠ Geopolitical Tensions → Trade & supply chain disruptions

Upside Potential

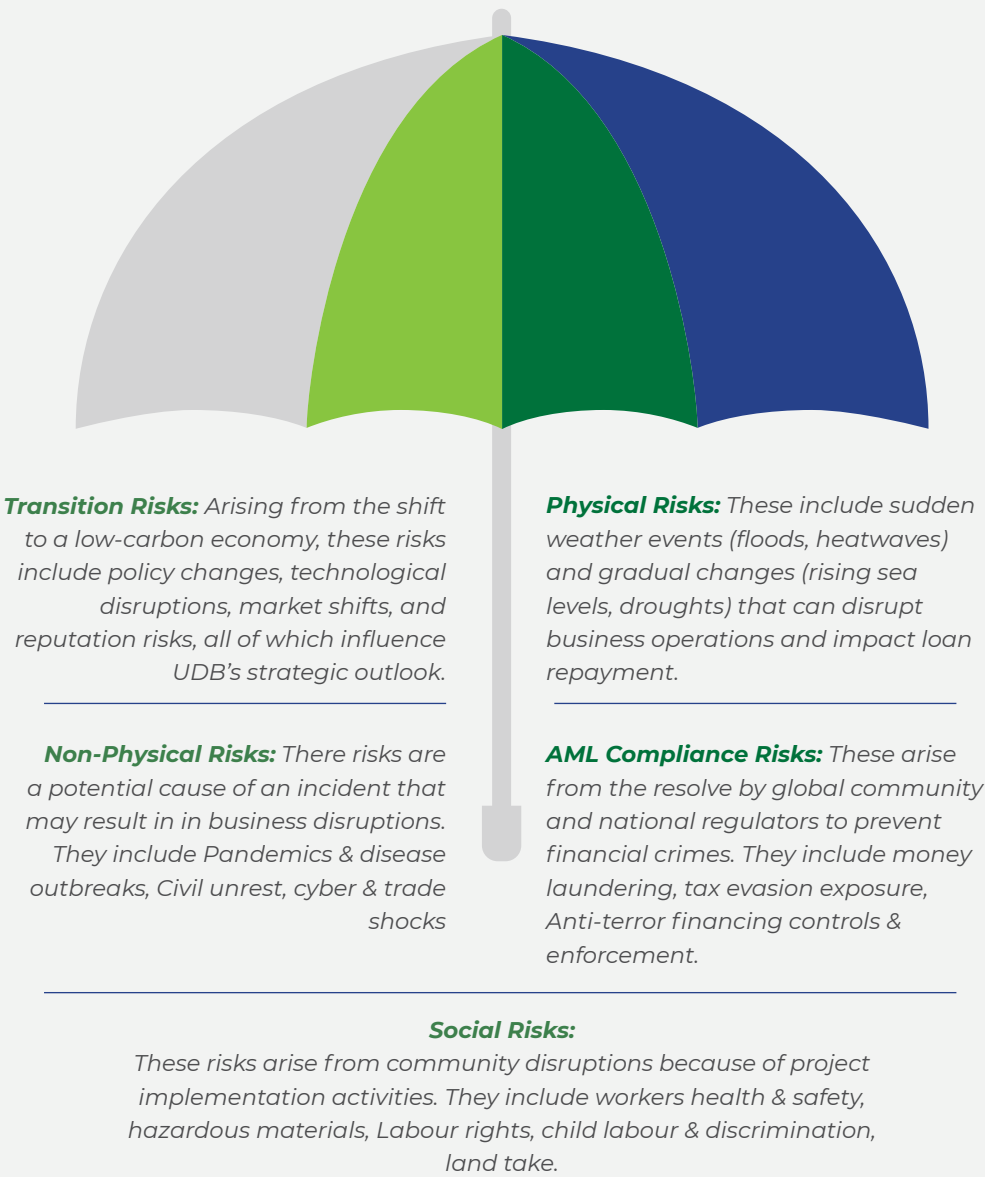
- + Oil Sector Investment → Boost to growth
- + Government Initiatives → Possible growth above 7.0%

Overall Outlook

Stable but Risk-Sensitive Growth

Understanding Sustainability Risks in UDB's Operations Context

UDB E&S Risks Management Process

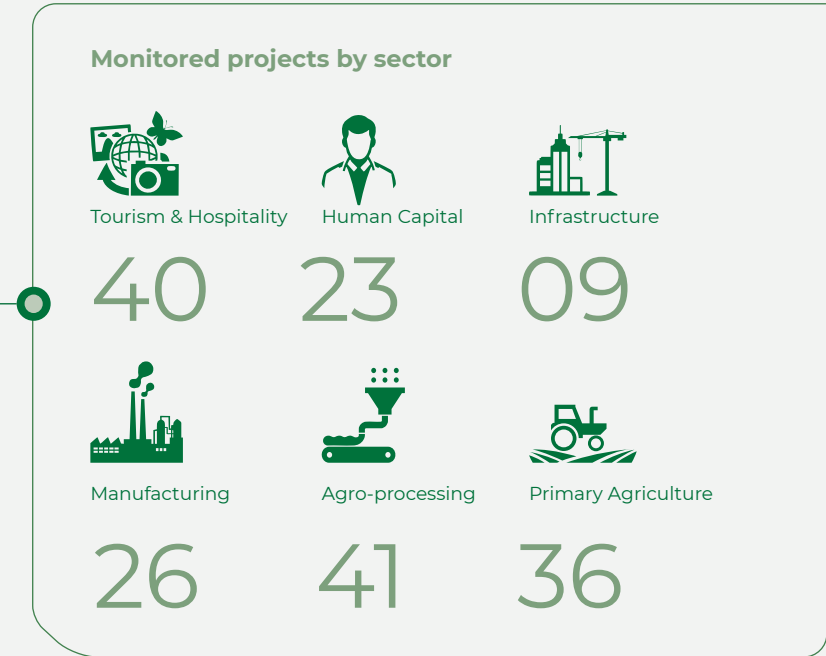


In 2025, all the **147** appraised mainstream and special programs transactions were assessed against the above 5 sustainability risks. The recorded transactions rating ranged between **479.5** and **1131.89** points both of which are below the 1999 threshold points indicating that the transactions are sustainable. The key identified sustainability risks for most of the assessed transactions were climate change (flood, long droughts, fire, diseases prevalence, etc.), transition risks such as technology shifts, shifts in customer tastes and preferences of produced products and socially, the public and occupation healthy and safety risks. Appropriate mitigation measures are prescribed as part of loan covenant conditions as E&S conditions precedent and subsequent to address these risks.

Managing Client Compliance

We undertake routine monitoring for all our financed projects to ensure that the clients meet their E&S commitments. The frequency and type of monitoring is determined according to the type of transaction (nature of the project) and the level of risk (risk category). High-risk transactions, transactions categorised as Category A and Category B (where appropriate) under the under the ESMS, are monitored on a quarterly basis.

In cases where clients are not compliant with E&S requirements, the Bank collaborates work with them to achieve the necessary standards. If there is no progress towards meeting requirements within agreed timeframes, remedies may include additional monitoring and revised, and/or more stringent action plans; specialist/independent intervention; or re-evaluation of the loan.



We are committed to taking appropriate action when actual or perceived human rights abuses or environmental damage are identified. This may involve disciplinary measures, ending certain business relationships, or engaging constructively to encourage better practices. In 2025, the Bank monitored a total of 174 financed transactions across its priority sectors.

2025 Financed Projects Categorization

To manage environmental and social (E&S) risks, UDB categorizes projects from **Category A** (highest impact) to **Category C** (minimal impact) and the **"FI" Category** designation used for financial intermediaries (Apex Lending Transactions). This classification dictates the rigor of the Bank's **due diligence** and ongoing monitoring. By the end of 2025, most of the portfolio consisted of **Category C** (65.9%) and **Category B** (31.4%) projects, with 2% of the projects under the high-risk **Category A**.

Table 28: 2025 Appraised Projects by Category

E&S Category	Number of projects	Percentage of total projects
Category A	03	2.0
Category B	46	31.4
Category C	97	65.9
Category FI	01	0.7
Total	147	100

In 2025, **147** transaction requests (**52 Mainstream and 95 Special Programs**) were assessed against the Sustainability risks. Majority (**83%**) of the appraised transactions were brown field (existing) projects, and the rest (**17%**) were start-ups (greenfield projects).



Internal Environmental and Social Risk Training and Awareness

Internal E&S Risk awareness and training is conducted for staff members, focusing on general E&S risks awareness, UDB’s E&S Risks management systems and processes as well as relevant environmental guidelines, standards, and requirements. Training includes physical and online sessions and using the bank in-house training platforms. In 2025, tailored trainings in Sustainability and ESG to all staff, E&S Risks Management to Special Programs Team as well as new staff were undertaken.

Bank’s 2025 Internal Carbon Footprint

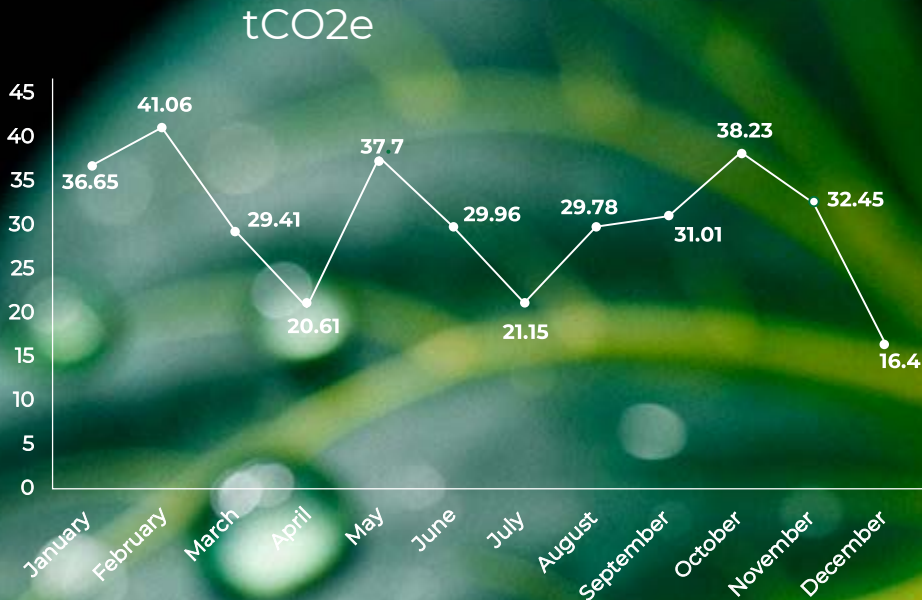
As a sustainability certified Bank, we are mindful of our contribution to GHG emissions through our lending and investment operations. To account for carbon footprint, from our operations for the year 2025, the Greenhouse Gas Emission Assessment was undertaken using the UNFCCC GHG calculator version 02.1. This covers direct and indirect emissions from the Bank’s direct control operations (Scopes 1,2 &3). The estimation was conducted using emission factors obtained from the Intergovernmental Panel

on Climate change (IPCC). Using the operational control approach, the bank’s carbon footprint for 2025 was categorized into three emission scopes, either direct or indirect as defined below.

- Scope 1 emissions:** This category covers direct emissions derived from sources owned by the Bank, i.e. its vehicles and standby generators.
- Scope 2 emissions:** This category encompasses indirect emissions associated with the Bank’s energy use, e.g. its purchase of electricity. The Bank has been monitoring its electricity consumption across its property portfolio.
- Scope 3 emissions:** This category refers to indirect emissions derived from the Bank’s value chain, including staff travel, water usage and waste disposal.

The Bank’s carbon footprint for 2025 was estimated at 363.41 tCO2e which represents a 26.45% increase from the 2024 emissions. The trend of monthly emissions was similar in both years beginning small in Q1, increasing and picking up in Q2, taking a dip in Q3, peak again in Q4 and slowing down at the end of year. This is attributed to business trends which trigger fluctuations in the level of activity.

Showing monthly GHG monthly emission trends



On the scope basis, scope 3 emission contributed the largest percentage of about 59% of the emissions followed by scope 1 with 30% and scope 2 contributing 11%. Scope 3 emissions were majorly contributed by employee commuting, air travel and hotel accommodation from business travel. In scope 1 Bank owned vehicles and associated field travels as well as electricity consumed at the UDB Tower and Munyonyo office

Based on the registered major contributors of the bank’s internal carbon footprint, a number of measures have been adopted to improve internal processes and subsequently reduce our carbon footprint. Some of the adopted and suggested measures for adoption include among others:

- Digitization of some of the Bank processes using platforms such as Docusign, ERP and LOS for all internal document approvals to make significant savings on paper usage, power consumption, waste reduction among others. For instance, in 2025, Docusign offset **28.451tCO₂e** of the bank’s carbon footprint through savings made on the parameters indicated in the table below.
- Installation of motion sensors lights that switch off the lights when not being used alongside maximising the use of natural lighting.
- Promotion of a paperless culture through adoption and use of E-Platforms, for meetings, communication, and other bank day-to-day operations.
- Installation of solar panels to facilitate internal energy mix of solar and hydropower thus reduce energy usage.

Table 29: GHG emissions offset by Docusign in 2025

lb	Elements	Tonnes
11,480	Carbon emissions	10.2072
14,401	water conserved	12.5321
4,890	wood saved	4.2180
794	waste eliminated	0.8501
Total		28.451



Impact Driven Strategy

In 2025, Uganda Development Bank commenced implementation of its five-year Strategic Plan (2025-2029). In this strategy, the Bank intends to elevate its impact and seeks to deliver the next generation development finance.

To do this, the Bank is expanding its current interventions and will seek to crowd in development finance from various local and international sources to finance impactful investments in the country. As the country's National Development Finance Institution (DFI), this strategic plan is aligned with the National Development Plan IV in terms of both the key areas of focus and the implementation period.

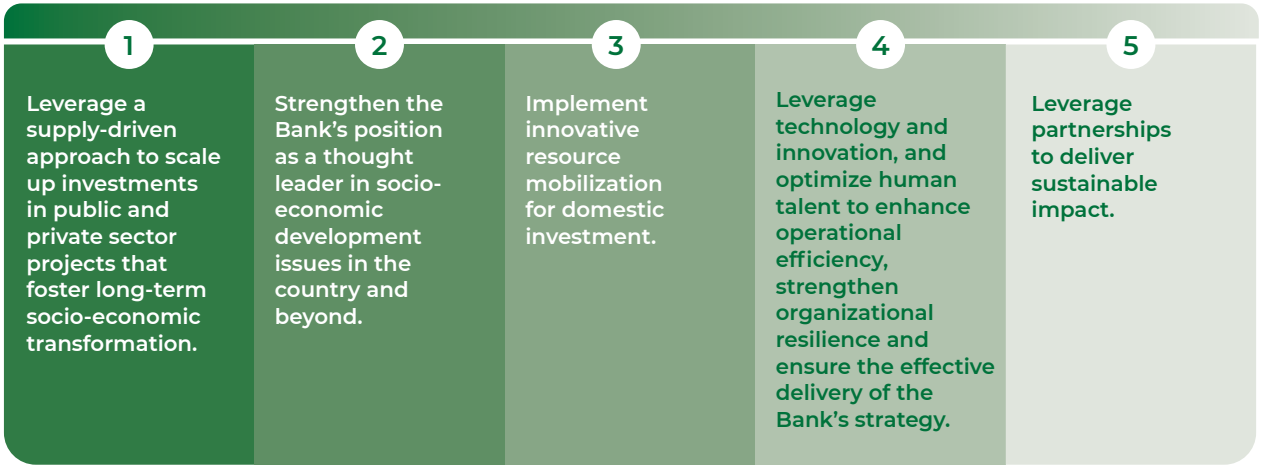
Over the strategy period and as part of its sustainability strategy, UDB's interventions were guided by three High Impact Goals, which further underpinned the Bank's Purpose Statement: "Improving the quality of life of Ugandans". These three High Impact Goals (HIGs) are;

- HIG 1:** Build a Sustainable Agrifood System for Uganda
- HIG 2:** Promote Sustainable Industrialization in Uganda
- HIG 3:** Develop a Sustainable Services Sector in Uganda

It is anticipated that achieving the HIGs will increase household incomes with a medium to long-term impact of improving the quality of life of Ugandans.

2025 Strategic Performance

2025 was the Bank's first year of implementation of its 5-year Strategic plan and through its 2025 Business Plan broadly focused on achieving a set of five (5) strategic objectives.



During the year the Bank registered varied successes in implementing these strategic objectives resulting in institutional achievements as follows;

Implementation of the Bank's 2025 Sustainability Strategy

In 2025, the Bank targeted to deploy **UGX 490 billion** alongside other key strategic initiatives. Investments focused on priority sectors : Agriculture, Industry, Infrastructure, and Services (including Tourism, Health, Human Capital Development, Creatives, and Science Technology & Innovation) and delivered through both financial and non-financial offerings; Term loans, Asset finance, structured Trade finance, Working capital, Equity investment, Project Finance, Farmer group and value-chain financing models, Transaction and Enterprise Support Services.

Key Performance Highlights

Disbursements	Project Approvals
UGX 502.2 billion disbursed [incl. UGX 10.36 billion private equity] to 343 businesses	120 projects approved worth UGX 518.41 billion
+29% YoY growth [form UGX 388.73 billion]	+14% YoY growth [from UGX 455.2 billion]
Achievement: 102% of budget	Achievement: 81% of budget (UGX 637 billion)
Impact [Ex-post]	Coverage of Approvals
69,202 jobs created/maintained	54 districts, all 14 sub-regions
UGX 1,158 billion profit generated	Capital Mobilization
UGX 387 billion taxes [Corporation Tax]	USD 30 million - ICD (IsDB Group)
UGX 1,847 billion foreign exchange earnings	USD 16.9 million - OPEC Fund
Strategic Partnerships & Innovation	EUR 5.15 million- EIB
• Launched Next Creaa [with Next Media Services]	USD 50 million - BADEA
• Established Kigezi Innovation Hub [with UNDP & Kabale University]	

* Details of the Bank's performance are recorded under the Sustainability section, starting on page 58.

The Bank’s investment activity in 2025 under specific impact goals

UDB’S INVESTMENT ACTIVITY IN 2025	
IMPACT ON SOCIETY	
GOAL SUB-CATEGORY	1.1: Enhancing the quality of life through safer, better, higher-paying jobs
OUTCOME	13,649 new direct jobs created
GOAL SUB-CATEGORY	1.2: Promoting entrepreneurship and innovation
Number of Value of investment	Promoting entrepreneurship as an avenue to build sustainable businesses • One hundred and twenty-two (122) SMEs funded a total of UGX 17.36 billion. • Three (3) businesses supported through equity investment (worth UGX 10.36 billion). Improving the competitiveness and sustainability of SMEs • Two hundred and five (205) businesses incubated through the Bank’s Enterprise Development Program (EDP).
GOAL SUB-CATEGORY	1.3: Enabling inclusive prosperity
Number of Value of investment	Promoting women-owned enterprises • Thirteen (13) women-owned/led businesses funded. Promoting spatial equity within the Bank’s investment portfolio • Forty-six (46) businesses funded in unserved and underserved communities and structurally weak regions. Promoting youth enterprise • Four (4) youth-owned businesses.
IMPACT ON ECONOMY	
GOAL SUB-CATEGORY	2.1: Boosting the real economy
Number of Value of investment	Building sustainable large-scale enterprises • Two hundred and twenty-one (221) large-scale enterprises worth UGX 495.59 billion funded. Improving access to finance by SMEs • One (1) start-up funded UGX 8.1 billion. Crowding in private investment to boost the real economy • UGX 205.18 billion invested by business owners in funded enterprises • UGX 718.14 billion total investment in the real economy (UDB & Business owners. Economic contribution of UDB’s funding activities • UGX 6,6261 billion total turnover of all businesses funded. • 3% share in GDP of the total turnover of all businesses funded. • UGX 387 billion tax generated of funded businesses.
GOAL SUB-CATEGORY	2.2: Creating a high-income, internationally competitive future-proof economy
Number of Value of investment	Supporting the adoption of technology and green transformation • Four (4) large-scale enterprises funded a total of UGX 15.89 billion. • One (1) start-up funded UGX 5.89 billion. Developing smart core infrastructure to lower production costs, enhance competitiveness and facilitate the sustainable exploitation of development opportunities • Two (2) projects worth UGX 76.38 billion. Supporting the establishment of electric mobility • One (1) project funded UGX 8.1 billion. Establishment of water for production systems thereby supporting yield enhancement and productivity • One (1) water supply project funded UGX 5.44 billion.

UDB’S INVESTMENT ACTIVITY IN 2025	
GOAL SUB-CATEGORY	2.3: Building economic resilience
Number of Value of investment	Promoting economic diversification through the development of nascent industries and support import substitution • Six (6) businesses funded a total of UGX 30.85 billion • Nine (9) businesses manufacturing essential goods funded a total of UGX 114.32 billion Balancing supply and demand where cost-effectiveness/ market competitiveness is possible • Seven (7) enterprises funded a total of UGX 100.29 billion Promoting export promotion import substitution • Twenty-three (23) export-oriented enterprises funded a total of UGX 1,63.51 billion • Goods worth UGX 1,847 billion exported • Eight-four (84) import substitution enterprises funded a total of UGX 253.69 billion • UGX 4,414 billion of foreign exchange saved through import substitution. Supporting human capital development interventions aimed at producing an appropriately skilled labor force and improving access to health services • Seventeen (17) healthcare facilities funded a total of UGX 26.22 billion.
IMPACT ON ENVIRONMENT	
GOAL SUB-CATEGORY	3.1: Achieving climate neutrality through resource efficiency and preserving and enriching biodiversity by the funded businesses
Number of Value of investment	Implement a framework to account for / mitigate the effect of UDB activities on the environment • 19,800 CO2 equivalent saved. • One (1) business financed to preserve biodiversity hotspots and natural ecosystems.

Strategic Outlook for 2026

2026 marks the second year of implementing the Bank’s new Strategic Plan (2025–2029). In preparing the 2026 business plan, the Bank ensured continued alignment with national development priorities by reviewing the National Development Plan (NDP IV) and other emerging government initiatives, including the Ten-fold Growth Strategy. The Bank also undertook a comprehensive review of the 2025 business plan to assess its effectiveness and identify areas requiring improvement. Insights and lessons from this review informed the design of the 2026 plan, which is anchored on operationalizing the Strategic Plan while integrating performance lessons, emerging national priorities, and the dynamic context within which the Bank operates.

UDB's 2026 Business Focus

Implementation of the 2026 Business Plan
Through its 2026 Business Plan, the Bank is targeting to disburse **UGX 710 billion (in debt)** and **UGX 23 billion (in private equity)** for the High Impact Goals (HIGs). The Business plan shall be implemented through a set of initiatives that represent UDB’s overall ambition with regard to:

1. Holistic sustainability i.e., creating impact on the economy; impact on society; impact on the environment and impact on the Bank’s corporate performance; these initiatives form the Bank’s sustainability strategy.
2. Mainstreaming the ongoing efforts to enhance operational efficiency, which are central to the Bank’s operational strategy.

- To anchor the implementation of the 2026 Business Plan, the following imperatives will be addressed:
1. Focus on prudently deploying financial resources including deploying liquidity risk monitoring and measurement tools as well as implementing initiatives that ensure a healthy loan portfolio.

2. Focus on making financial investments that drive significant socio-economic development – investments that will aim to foster systemic, long-term changes that promote economic growth, social inclusion, environmental sustainability, and resilience within the Ugandan economy.

3. Focus on optimizing human resources and technology by implementing organizational development initiatives that future proof the organization.

4. Strengthening partnerships and collaborations and enhancing the Bank’s thought-leadership position to influence policy, shape discourse in development finance, and sustainable socio-economic transformation.
- The Bank’s strategic objectives will be realized through the implementation of various initiatives in the sustainability and operational plans. Following is a summarized graphical representation of the Bank’s 2026 business plan.

2026 SUSTAINABILITY STRATEGY		
Strategic Objective 1: Leverage A Supply-Driven Approach To Scale Up Investments In Public And Private Sector Projects That Foster Long-Term Socio-Economic Transformation		
HIG 1: Build A Sustainable Agrifood System In Uganda	HIG 2: Promote Sustainable Industrialization In Uganda	HIG 3: Develop A Sustainable Services Sector
Select Initiatives		
1. Implement initiatives to promote financial inclusion for smallholder farmers, SMEs, Women, and Youth - Enhance the Agri-Connect initiative. 2. Enhance production and productivity in key agriculture value chains - Develop and implement Programs for Rice, Maize, Tea and Wheat. - Develop an irrigation program to increase access to water for production. - Invest in water for production for crop and livestock. - Scale up Oil palm production Support adoption of smart agri tools. - Commercialization of Irish potato value chain. - Develop a Tea program. 3. Digitization of value chain processes to enable market access and reduction of post-harvest losses	1. Invest in value addition of minerals 2. Invest in the manufacture and adoption of electric mobility (2-wheeler motorcycles and 4-wheeler MVs) - Conduct feasibility studies for battery manufacturing - Support operationalization of Kiira Motor Corporation Ltd. - Set up smart charging. and battery swapping infrastructure. 3. Invest in the manufacture of essential medical goods along the key pathogenic value chains 4. Modernize and transform impactful but fragmented small scale manufacturing clusters 5. Invest in initiatives for a sustainable circular economy - Reuse and recycling of waste program. 6. Invest in the paper sector 7. Increase in local content in the Oil and Gas sector - Implement a dedicated financing window for local contractors.	1. Close skills gaps in critical sectors - Foster access to education in regions outside greater Kampala metro. - Conduct a feasibility study and curriculum development for a teaching hotel. - Set up accommodation in strategic tertiary institutions. 2. Enhance access to affordable healthcare - Conduct a feasibility study for the establishment of a facility specializing in non-communicable diseases (NCDs). 3. Enhance Uganda’s attractiveness as a preferred tourism destination - Scale up business tourism in the metropolitan regions of Uganda – Meetings, Incentives, Conferences and Exhibitions (MICE). - Promote cultural, heritage, culinary and Agro-tourism. 4. Extend financial inclusion to youth entrepreneurs - Implement the youth digital financing platform. - Support development of infrastructure / facilities for creative production. 5. Invest in the commercialization of innovation in science and technology

ENABLERS

Increase access to reliable and affordable electricity for industrial development and domestic consumption

- Establish smart mini-grid systems in underserved rural areas.
- Invest in renewable energy, transmission network expansion and electricity distribution infrastructure.
- Roll out commercial and industrial solar energy for production.

Implement strategic transport infrastructure to catalyze trade

- Support e-mobility market penetration.
- Set up smart charging and battery swapping infrastructure.
- Invest in cross-border marine transport infrastructure.
- Develop water transport infrastructure on Lake Victoria.
- Develop a toll road or bridge under a PPP approach.
- Develop the Soroti-Moroto meter gauge railway line.

Scale up the Ugandan contractors' initiative

- Support local contractors in key priority sectors (ICT, Transport, Energy, Services, Water and Sanitation, Agro-infrastructure, etc.).

Develop and maintain strategic water and sanitation infrastructure

- Establish waste-to-energy initiatives in cities/municipalities.

Increase access to reliable and affordable broadband services

- Support last mile telecom and digital infrastructure.

Develop essential and critical projects in collaboration with cities and local governments

CROSS-CUTTING INITIATIVES

Implement the Enterprise Development Program (EDP)

- Develop a training curriculum for the digital financing platform.
- Conduct investment readiness programs for institutions and SMEs.

Implement the Business Acceleration Program (BAP)

- Improve portfolio quality.

Scale up the Special Programs initiative

- Support financial inclusion of Women, Youth, and SMEs.
- Roll out of the Survey and Titling initiative.

Develop and implement a UDB Exim Bank concept Effectively utilize approved lines of credit (ITFC, IDB, and ICD)

Deploy equity funds

- Establish an equity investment facility.

Implement digitalization of re-imagined processes

- Roll out digital innovations.

Roll out of Reshaping Industries for a Sustainable Economy (RISE) Program



SUSTAINABLE IMPACT





Mainstreaming Impact and Sustainability

The Bank continued to make significant strides in its sustainability agenda of creating positive impacts on Society, Economy, and the Environment all underpinned by a growing balance sheet to support the Bank’s core lending activities.

With the primary purpose of “Improving the quality of life of Ugandans”, the Bank continued to support investments in both private and public sector enterprises that demonstrated potential to enhance the quality of life of Uganda’s through safer, better and higher paying jobs; promoting entrepreneurship and innovation; enabling inclusive

prosperity; helping boost and build economic resilience; thereby creating a high-income and internationally competitive and future proof economy. This support was with due consideration to achieving climate neutrality, where enterprises use resources efficiently while preserving and enriching the biodiversity of the country. Refer to page 104-107 for investment details.

While pursuing its efforts to create positive impacts on society, the economy, and the environment, the Bank was presented with the Karlsruhe Sustainable Finance Award 2025 in the category “Outstanding Business Sustainability Achievement”, recognising its leadership in embracing holistic sustainability across the organization and demonstrating excellence in delivering impact. The Bank was recognised for being a driving force for inclusive and sustainable growth in Uganda and for creating impact that extends far beyond financial intervention. The Bank was

applauded for creating employment opportunities, enhancing food security, boosting manufacturing, promoting the services sector and directly contributing to the national priorities through tailored financing and non-financial solutions that empower public and large private sector projects as well as small and medium-sized enterprises (SMEs), women-led businesses, and youth innovators, ensuring that growth is broad-based and inclusive. In addition, UDB is also a globally recognized leader

in sustainability and a role-model Sustainability Certified Financial Institution. The Bank continued to support several financial institutions in implementing holistic sustainability through the i-Lead Group. The Bank remains committed to prioritising and mainstreaming holistic sustainability in its practices, promoting this approach and inspiring all other stakeholders to raise awareness of sustainable development.

Reshaping Industry for Sustainable Economy (RISE)

As part of its efforts in solidifying its development impact, the Bank launched the Reshaping Industry for a Sustainable Economy (RISE) in March 2025. The launch of this programme follows the Bank’s Level 5 certification under the Sustainability Standards and Certification Initiative (SSCI), which it received in November 2024.

RISE is a digital infrastructure where transformational projects are prepared before money, people, and reputations are committed. Recognising that most projects fail not because they are bad, but because the needs are poorly defined, risks surface too late, decisions are slow, subjective and hard to defend, and capital, partners,

and execution never properly aligned, RISE provides a credible solution to address these challenges; it provides an environment where needs are clearly defined, proposals are structured and comparable, risks and feasibility are assessed early, sustainability and impact are built into the logic not added later, and projects are prepared so they can be financed and delivered.

At the centre of RISE is Sera, an AI analyst, that reviews feasibility, risks, coherence, and impacts, financial, technical, operational, social, economic, and environmental; and produces structured, decision-ready insights in seconds.



Financing for Sustainable Impact

UDB continues to empower businesses across the country that are engaged in projects within the key growth sectors. The Bank's gross loan portfolio expanded by 7.7% to **UGX 1.77** trillion from UGX1.60 trillion. Highlights of UDB's portfolio are contained in the following tables.

Table 4: Portfolio (Gross Loans) Distribution by Sub-region

Sub-region	Amount (UGX Bn)
Acholi	52.2
Ankole	144.9
Bukedi	14.4
Bunyoro	30.2
Busoga	85.3
Elgon	22.0
Kampala	306.0
Karamoja	48.0
Kigezi	33.1
Lango	65.8
North Buganda	587.7
South Buganda	262.6
Teso	17.8
Tooro	60.9
West Nile	39.1
Grand Total	1,770.0

Table 5: Portfolio Distribution by District

District	Amount (UGX Bn)	District	Amount (UGX Bn)	District	Amount (UGX Bn)
Adjumani	5.1	Kalangala	0.8	Masindi	0.9
Agago	1.2	Kaliro	1.5	Mayuge	2.2
Alebtong	2.0	Kalungu	6.5	Mbale	13.2
Amuru	1.0	Kampala	306.8	Mbarara	90.3
Apac	41.1	Kamuli	11.1	Mitooma	1.6
Arua	7.5	Kamwenge	14.1	Mityana	16.1
Bugiri	1.0	Kanungu	5.9	Moroto	16.3
Buhweju	1.1	Kapchorwa	3.0	Moyo	1.5
Buikwe	141.1	Karenga	0.9	Mpigi	12.1
Bukedea	1.1	Kasese	20.4	Mubende	67.1
Bukomansimbi	1.3	Kassanda	1.4	Mukono	319.5
Bukwo	1.0	Katakwi	0.9	Nakapiripirit	23.0
Buliisa	0.9	Kayunga	1.3	Nakaseke	4.5
Bundibugyo	1.1	Kazo	1.3	Nakasongola	7.0
Bunyangabu	2.1	Kibaale	2.7	Napak	4.1
Bushenyi	7.0	Kiboga	6.6	Nebbi	13.9
Busia	2.4	Kikuube	1.1	Ntungamo	23.6
Butambala	5.6	Kiruhura	10.6	Nwoya	1.9

District	Amount (UGX Bn)	District	Amount (UGX Bn)	District	Amount (UGX Bn)
Buvuma	5.3	Kiryandongo	2.1	Omoro	0.9
Buyende	1.0	Kisoro	17.8	Otuke	0.9
Dokolo	1.1	Kitagwenda	1.2	Pader	1.3
Entebbe	1.2	Kitgum	3.3	Pakwach	1.1
Fort Portal	30.8	Kole	2.7	Pallisa	4.0
Gomba	2.5	Kumi	0.9	Rubanda	1.0
Gulu	40.7	Kween	1.3	Rubirizi	4.8
Hoima	6.9	Kyankwanzi	13.0	Rukiga	0.9
Ibanda	2.1	Kyegegwa	1.8	Rukungiri	0.8
Iganga	1.1	Kyenjojo	1.1	Sironko	0.8
Isingiro	3.4	Kyotera	1.5	Soroti	10.3
Jinja	66.1	Lamwo	1.5	Ssembabule	1.3
Kaabong	0.8	Lira	16.0	Tororo	3.6
Kabale	4.5	Luwero	18.5	Wakiso	225.2
Kabarole	2.0	Lyantonde	4.0	Yumbe	2.6
Kaberamaido	1.6	Madi Okollo	6.0	Zombo	1.0
Kagadi	0.9	Masaka	5.3		

Table 6: 2025-Approvals and Disbursements Distribution by Sub-region

Sub-Region	Approved (UGX Bn)	Disbursed (UGX Bn)
Acholi	16.4	19.2
Ankole	12.2	15.6
Bukedi	8.1	6.4
Bunyoro	90.3	76.5
Busoga	50.1	9.9
Elgon	11.6	8.4
Kampala	56.8	75.9
Karamoja		7.3
Kigezi	6.4	5.6
Lango	6.6	13.6
North Buganda	159.0	152.5
South Buganda	20.8	75.2
Teso	11.1	6.1
Tooro	62.3	21.0
West Nile	6.7	9.0
Total	518.4	502.2

Table 7: 2025-Approvals distribution by district

District	Amount (UGX Bn)	District	Amount (UGX Bn)	District	Amount (UGX Bn)
Amuru	8.2	Kalungu	6.9	Mbale	6.3
Apac	1.8	Kampala	58.0	Mbarara	2.0
Arua	1.5	Kasese	56.6	Mityana	2.7
Bugiri	1.4	Katakwi	1.7	Moyo	1.5
Buikwe	2.5	Kibaale	1.4	Mpigi	1.6
Bukwo	1.4	Kiboga	3.7	Mubende	1.3
Buliisa	1.7	Kiryandongo	3.1	Mukono	144.6
BUSIA	3.3	kisoro	1.3	Nakaseke	9.5
Fort Portal	2.9	Kumi	1.6	Nakasongola	1.4
Gulu	4.4	Kween	2.3	Pader	1.4
Hoima	83.7	Kyotera	2.1	Rubirizi	6.4
Ibanda	1.3	Lamwo	1.9	rwampara	1.5
Isingiro	1.7	Lira	2.0	Soroti	5.9
Jinja	45.8	Luwero	3.1	Ssembabule	1.3
Kabale	2.2	Maracha	2.0	Tororo	1.9
kaberamaido	1.5	Masaka	3.6	Wakiso	12.7

Table 8: 2025-Disbursements distribution by district

District	Amount (UGX Bn)	District	Amount (UGX Bn)	District	Amount (UGX Bn)
Adjumani	0.8	Jinja	4.8	Luwero	10.6
Agago	0.4	Kabale	0.8	Lyantonde	1.1
Amuru	0.3	kaberamaido	0.7	Masaka	1.4
Apac	7.2	Kagadi	0.1	Mayuge	0.1
Arua	2.4	Kalungu	6.6	Mbale	3.0
Bududa	0.2	Kampala	75.9	Mbarara	1.3
Bugiri	0.2	Kamuli	0.4	Mityana	3.6
Buikwe	32.2	Kanungu	0.3	Moyo	0.1
Bukomansimbi	0.5	Kasese	13.5	Mpigi	12.3
Bukwo	0.2	Kassanda	0.2	Mubende	2.6
Bundibugyo	0.3	Kazo	0.4	Mukono	98.7
Bunyangabu	0.4	Kibaale	0.2	Nakaseke	4.1
Bushenyi	0.5	Kiboga	0.3	Nakasongola	0.2
BUSIA	1.3	Kikuube	0.1	Namutumba	0.1
Buvuma	3.0	Kiruhura	7.9	Napak	3.2
Buyende	0.2	Kiryandongo	0.2	Pader	3.3
Country Wide	50.0	Kitagwenda	0.1	Rubanda	0.3
Dokolo	0.1	Kumi	0.2	Rubirizi	1.3
Entebbe	0.1	Kween	0.8	Soroti	1.0
Fort Portal	1.3	Kyenjojo	1.3	Ssembabule	0.1
Gulu	10.6	Kyotera	0.9	Tororo	0.9
Hoima	71.6	Lamwo	0.5	Wakiso	49.3
Ibanda	0.1	Lira	2.1	Yumbe	1.5

Table 9: Approvals and Disbursements by Sector

Sector	Approved (UGX Bn)	Disbursed (UGX Bn)
Agro-Industrialization	31.7	102.7
Education Services	5.0	7.1
Health Services	33.7	23.4
Infrastructure	124.2	54.5
Manufacturing	149.7	146.7
Primary Agriculture	79.5	72.3
Tourism & Hospitality	21.1	14.6
Creatives		10.0
Oil & gas	73.5	70.9
Total	518.4	502.2

Table 10: Portfolio by Sector

Sector	Amount (UGX Bn)
Agro-Industrialization	382.9
Creatives	10.9
Education Services	27.6
Health Services	146.4
Infrastructure	256.1
Manufacturing	425.6
Primary Agriculture	258.7
Tourism & Hospitality	117.7
Oil & gas	74.8
Others	69.4
Total	1,770.0





INCLUSIVE FUNDING,
LASTING IMPACT

Finance for SMEs, Youth
and Women

UDB's Special Programs empower SMEs, Women, and Youth Enterprises through tailored financial and non-financial support to drive socio-economic growth.

UGX 21.1 billion Loans approved	UGX 18.6 billion Loans disbursed
132 Enterprises funded	70 Enterprises approved

- Program Objectives**
- Grow business assets and revenues
 - Create employment opportunities
 - Promote wealth redistribution for balanced development, covering all sub-regions of Uganda
 - Alignment with National Goals: **NDP IV & Vision 2040**

UGX
68.4 billion
deployed to **308 enterprises** since the inception of the Special Programs proposition in 2022



90%
of the private sector
is comprised of SMEs,
which generate over 75%
of GDP

Unique Features



Titling & survey solution

The Bank offers solutions to title and untitled land pledged as collateral to increase values to support loan enhancement, protect enterprise land, among others, at 100% financing.



De-risking Instruments

The Bank has partnered with the Africa Guarantee Fund (AGF) to provide guarantees for collateral deficiencies for Women enterprises, SME's, Youth and Green Projects. This has enabled many enterprises to access funding to spur their projects.



Fintech's Solutions

The Bank is implementing the Youth Digital Financing Initiative in partnership with two local fintechs, to support youth enterprises in the creative industry to access credit through their mobile phones at ease.

Expanding UDB's Reach through Regional Offices

The Bank commenced the establishment of regional representative offices as decentralized hubs for project origination, customer support, and stakeholder coordination. Out of the five planned offices, three are operational, namely:

- * Northern Region – Gulu Office
- * Eastern Region – Mbale Office
- * Bunyoro Region – Hoima Office

Two more offices, dedicated to the West Nile Region in Arua City and the Western Region in Mbarara City, are set to launch in 2026



Tailor-Made Initiatives for lasting Impact

Local Contractors Financing Initiative

Contractors are crucial to Uganda's economy, supporting the development of necessary infrastructure to facilitate investments in key sectors such as Agriculture, Human Capital Development, Tourism, Oil & Gas, Services, and Manufacturing. They generate significant employment and support small- and medium-sized enterprises. However, unlike their foreign counterparts, Ugandan contractors often lack substantial financial support, putting them at a disadvantage.

While the construction industry in Uganda is growing, it is dominated by foreign contractors with robust financial backing. This dominance has limited Ugandan contractors mostly to smaller projects, and even these are increasingly competed for by smaller foreign firms.

A major challenge for local contractors is limited access to affordable working capital and equipment. Recognizing this, UDB moved to support Ugandan

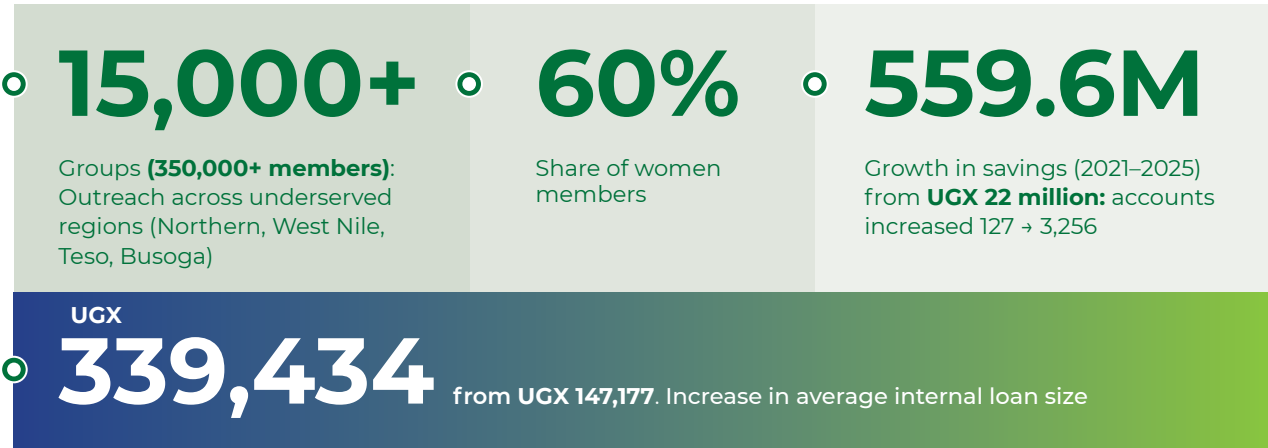
contractors by offering a wide range of tailored solutions, setting up a UGX 150 billion fund. The support is given in various forms, including.

- Timely access to cheaper and patient capital. Credit under the Initiative is characterized by features such as lower appraisal fees, grace periods of up to 12 months, and concessional interest rates.
- Access to bid bonds, performance, and other guarantees at favorable terms and conditions, such as arrangement fees of 0.25%, security cover of between 50 – 100% of the bond amount, unsecured bid bonds of between 0.5 – 1 billion, and low commission rates of 0.5% per quarter.
- Consideration of outstanding payment certificates as security to enable access of up to 70% of the required credit.
- Capacity Building and technical enhancement of the contractors.

Agri-Connect Initiative

In 2022, a local FinTech company, in partnership with UDB, the Food and Agriculture Organization (FAO), the European Union (EU), and the United Nations Capital Development Fund (UNCDF), launched an innovative digital lending solution designed to improve access to affordable finance for smallholder farmers. This groundbreaking platform enables Village Savings and Loan Associations (VSLAs) to access short-term seasonal loans digitally, tailored to support agricultural value chain development and agribusiness growth. The entire process from application to approval and disbursement is conducted digitally, with funds deposited directly into the farmers' mobile wallets, ensuring convenience, speed, and transparency.

The Bank funded the Ensibuuko platform at a subsidized 5% p.a., enabling farmers to access loans at 1.25% per month (15% p.a.) on a reducing balance over six months, including a two-month grace period aligned with agricultural cycles. Ensibuuko also offers a 2% cashback for timely payments. This partnership with UDB unlocks public capital for grassroots lending, promoting inclusive growth through a blend of government investment and private sector innovation.



Business Acceleration for Successful Entrepreneurship (BASE)

This vehicle was created to support SMEs in realizing business sustainability. The program provided advisory services to help customers adopt best management practices. This support was delivered through training, incubation, and technical assistance and aims to develop and implement essential processes within companies, reducing the risk of enterprise failure by ensuring businesses are properly managed.

Enterprise Development Program (EDP) 2025

In 2025, the Bank continued to strengthen its support for SME resilience and sustainability through the Enterprise Development Program. Designed to address operational weaknesses that commonly lead to enterprise failure, EDP focused on equipping SMEs with the management skills and institutional systems necessary to ensure long-term viability.

238 SMEs incubated	Graduated SMEs: Gulu: 42 Mbale: 28 Lira: 34 Arua: 25 Fort Portal: 31 Mbarara: 45	Outcomes: • Expanded nationwide access to SME support • Reduced enterprise failure risk • Improved SME competitiveness and investment readiness • Contributed to formalization of enterprises
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The program strengthened SME resilience and sustainability through targeted support: management skills, governance, financial and operational systems as well as business training, technical assistance, incubation.

Expected Development Outcomes from 2025 Approved Projects

In 2025, a total of 120 projects were approved, with fifty-one (51) under the Mainstream (MS) and sixty-nine (69) under Special Programs (SP). The projects approved in 2025 are projected to create **33,610 jobs** (permanent and temporary), generate UGX 5,199.9 billion in turnover, UGX 2,759.8 billion in profit, **UGX 918.7 billion in taxes** (Corporation Tax), and UGX 2,798.2 billion in foreign exchange earnings.

Table 11: Approvals and associated Development Impact by Category for 2025.

Category	Number of projects	Loan amount UGX Bn	Employment	Turnover UGX Bn	Profitability UGX Bn	Tax UGX Bn	Forex UGX Bn
Mainstream	51	497.72	31,309	5,120.87	2,737.04	912.63	2,782.87
Special program	69	20.68	2,301	79	22.79	6.06	15.35
Grand Total	120	518.41	33,610	5,199.87	2,759.83	918.68	2,798.22

Source: MEL Field appraisal data.

Table 12: Sectoral Distribution of root core indicators for 2025.

Sectors	Number of projects	Loan Amount UGX Bn	Jobs (Ex-ante)	Output value UGX Bn	Profitability UGX Bn	Tax UGX Bn	Forex UGX Bn
Agro-Industrialization	26	31.36	2,489	327.59	71.04	19.07	79.80
Education services	8	4.97	616	35.38	10.62	2.02	0.00
Health Services	4	33.72	1,809	272.35	50.27	15.07	3.57
Infrastructure	11	197.37	21,417	3,299.02	2,349.94	807.34	2,418.21
Manufacturing	18	149.62	5,053	795.76	158.20	48.25	201.56
Primary Agriculture	35	79.91	1,450	428.94	101.54	21.03	82.94
Tourism & Hospitality	18	21.46	776	40.84	18.21	5.90	12.14
Grand Total	120	518.41	33,610	5,199.87	2,759.83	918.68	2,798.22

Source: UDB Field Appraisal data

Table 13: Regional and Spatial Distribution of Approved Projects

Regions	Number of projects	% share	Loan Amount UGX Bn	% share	Jobs (Ex- ante)	Output value UGX Bn	Profitability UGX Bn	Tax UGX Bn	Forex UGX Bn
Central	56	47%	236.67	45.65%	8,482	188.56	1,292.81	47.77	280.93
Kampala	17	14%	58.31	11%	2,578	78.86	469.07	22.24	3.81
North Buganda	20	17%	157.31	30%	5,017	89.36	710.94	20.28	254.84
South Buganda	19	16%	21.05	4%	887	20.34	112.80	5.25	22.28
Eastern	22	18%	59.80	12%	1,103	39.97	194.38	12.11	27.03
Bukedi	3	3%	2.81	1%	108	1.61	4.75	0.37	0.02
Busoga	3	3%	44.81	9%	302	15.16	70.56	4.54	23.19
Elgon	8	7%	6.37	1%	272	3.73	31.06	1.43	2.26
Teso	8	7%	5.81	1%	421	19.46	88.02	5.77	1.58
Northern	16	13%	13.85	3%	1,979	35.29	113.55	8.23	59.20
Acholi	9	8%	11.09	2%	1,610	31.79	102.23	7.09	59.00
Lango	4	3%	1.33	0%	289	2.80	8.97	0.93	0.20
West Nile	3	3%	1.43	0%	80	0.70	2.35	0.21	0.00
Western	24	20%	76.54	15%	2,560	111.31	352.93	32.57	13.29
Ankole	7	6%	6.90	1%	195	7.83	13.95	2.13	5.79
Bunyoro	6	5%	11.53	2%	307	9.53	24.57	2.82	4.24
Kigezi	2	2%	1.11	0%	146	0.21	1.41	0.58	0.96
Tooro	9	8%	57.00	11%	1,912	93.73	313.00	27.05	2.31
Country Wide	2	2%	131.54	25%	19,486	2,384.70	3,246.20	818.00	2,417.76
Grand Total	120	100%	518.41	100%	33,610	2,759.83	5,199.87	918.68	2,798.22

Source: MEL Field appraisal data



SHOWCASING IMPACT THROUGH SELECTED PROJECTS

SERVICES

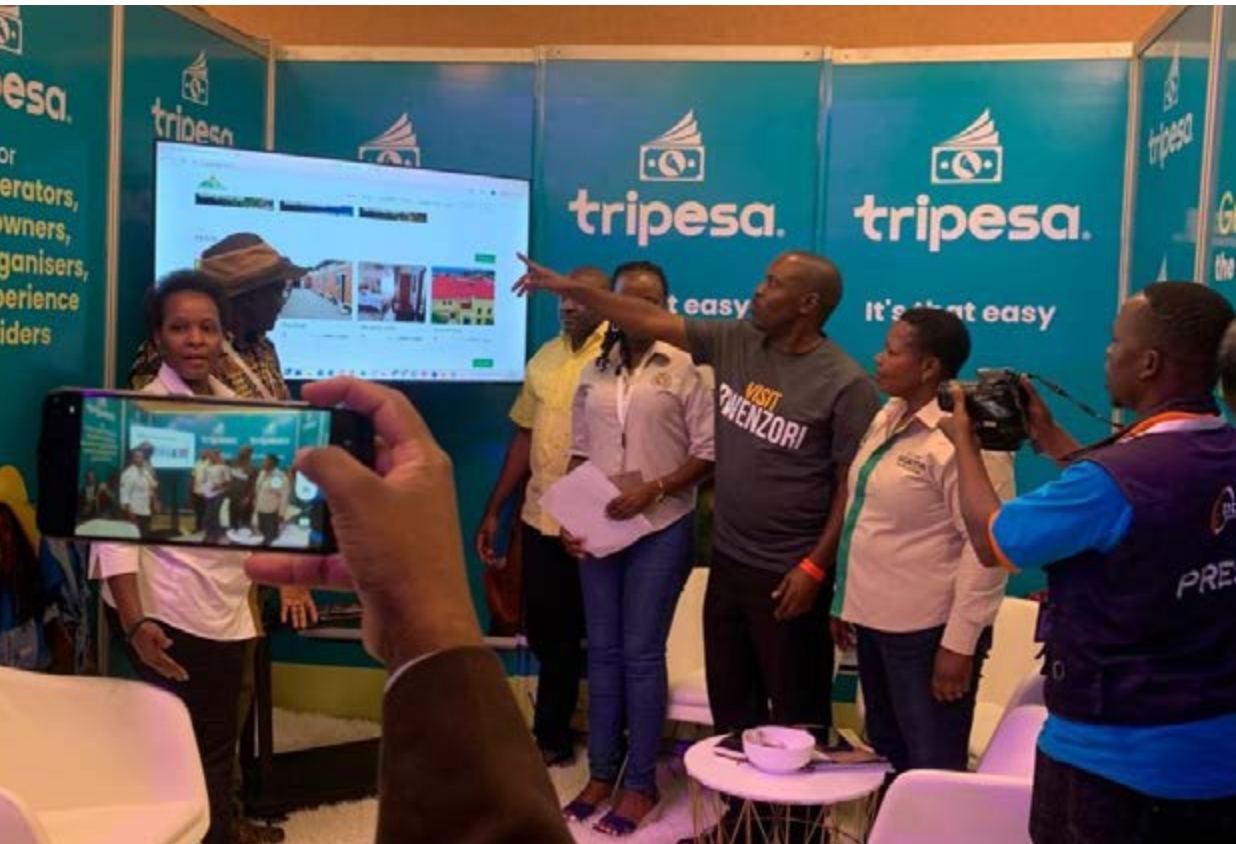
Tripesa Ltd

Sector
Services (Tourism AI enabled platform)

Project Brief
Tripesa is an integrated technology platform that digitalizes and automates the tourism and hospitality value chain in Uganda and across Africa. Built as a payments-first business process management system that is meant to equip tourism SMEs, including tour operators, travel agents, accommodation providers, and activity providers with a full suite of tools to establish an online presence, accept and manage bookings and payments, build no-code eCommerce websites and digital itineraries as well as settle suppliers both locally and across borders all in one place.

Operating in a largely informal, fragmented sector reliant on costly middlemen that erode up to 50% of SME margins, Tripesa addresses a clear, underserved market gap. With Uganda’s tourism industry estimated to contribute about 6% of GDP and over 35,000 addressable businesses in the broader value chain, the platform is purpose-built to formalize operations, improve record-keeping, and unlock access to credit for businesses that have historically lacked credible financial data. Tripesa’s impact extends beyond business efficiency by targeting SMEs in communities surrounding Uganda’s national parks and flagship tourism areas, the platform aims to drive job creation in the tourism and hospitality sector.

Impact: Tripesa’s impact extends beyond business efficiency by targeting SMEs in communities surrounding Uganda’s national parks and flagship tourism areas, the platform aims to drive job creation in the tourism and hospitality sector. So far, they have onboarded 21 international clients across six markets (Tanzania, Rwanda, Zambia, Madagascar, South Africa, Botswana). Secured a contract with the government of Uganda to manage ticketing worth UGX 150 million.



SERVICES

Allison Hotel

Sector
Hospitality and Tourism

Project Brief
The project involves the development and operation of a 5-star luxury hotel and serviced apartments in Jinja City. The contemporary hotel will feature an “oasis of peace” concept to attract premium guests and maintain sustainable occupancy. It will offer 13 luxury rooms, including Executive Suites, Family Rooms, and Deluxe Double Rooms with pool views, alongside furnished serviced apartments and premium suites to maximize revenue per unit. Additional income streams will come from an on-site restaurant and bar with diverse menu options, as well as meeting and banquet facilities targeting business and social events. High end wellness and recreational amenities including a spa, sauna, Jacuzzi, indoor swimming pool, fitness center, karaoke area, kids’ club, and evening entertainment are designed to enhance guest satisfaction, encourage repeat visits, and boost overall investor returns.

Impact: Tourism Development: Positions Jinja as a high-end hub for “MICE” (Meetings, Incentives, Conferences, and Exhibitions) and international leisure travellers. The hotel generates employment for hotel staff, management, and local suppliers within the Jinja City ecosystem. It also leverages its central location to spur local commercial activity and urban revitalization.



INFRASTRUCTURE

East African Crude Oil Pipeline

Sector Oil & Gas

Location Pipeline from Kabaale, Hoima to Chongoleani, Tanga.

Project Brief

The project comprises a 1,443-kilometer, 24-inch insulated and buried pipeline designed to transport Uganda's crude oil from Kabaale in Hoima to the export terminal at Chongoleani, Tanga. It features six pump stations, two pressure-reducing stations, and a heating system that maintains crude temperatures above 50°C.

Impact: EACOP is a transformative national project expected to unlock Uganda's oil production potential and drive long-term socio-economic growth by increasing export revenues and catalyzing related industries. The pipeline attracts large-scale investments in logistics, engineering, construction, and local content supply chains by enabling efficient crude evacuation for export. The project is generating extensive employment opportunities in Uganda. It supports skills transfer and capacity building in advanced pipeline technologies. Its cross-border nature enhances regional integration and positions Uganda as a competitive player in the global energy market. The revenues and economic activity generated will significantly contribute to national development priorities and industrialization goals.



AGRICULTURE

Yeshua Life Limited

Sector Primary Agriculture

Location Napak-Karamoja

Project Brief

In 2020-2021, when COVID-19 hit the World, the company initially went to Karamoja as part of Robert Kayanja's bucket initiative to provide food to support poor, vulnerable communities, especially in the Karamoja Sub Region in Uganda. This support gave rise to the idea of acquiring land from rural communities in the Karamoja Sub-region to enable them to grow their own food for both home consumption and trade.

In 2022-23, YLL acquired 2,000 acres of land through a farming partnership with the residents of Napak-Karamoja, using their land to produce grains for sale and home consumption under a 20/80 percent sharing approach between the residents and the company. Each acre of Land produced an average of 1,200 kilograms of sorghum.

The business acquired a market for the produce and sold it to Uganda Breweries and Gree Enterprises in Nairobi, Kenya. The project was well received, and the community donated additional land to expand to 5,000 acres, with the option to increase to 10,000 acres. YLL has been engaged in the primary production, processing, and trade of grain and grain products, including maize and maize flour, white sorghum, beans, and soybeans. Major offtakers for the products include UBL for sorghum, Gree Enterprises Limited, Nairobi, Kenya, for maize grain, and the Rubaga market for maize flour and other produce.

In terms of services, YLL will continue to carry out grain handling and processing. The company will also offer these cleaning, drying, sorting, and storage facilities to the third party under the public-private partnership. Upon expansion, the project will continue to buy and market the following products and services.

Impact: Increased tax contribution into the economy - With turnover of UGX 67 billion per year, the investment is projecting growth of tax contribution from UGX 0.66 billion per year to UGX 1.7 billion. Increased income for farmers/household landowners- The company is undertaking a contract farming framework with the local community, the contract grants landowners who lease their land to the company a benefit of 20% cash value of the net harvest, an average income of UGX 240,000/= per acre per season.



Aralla Farm Limited

Sector Primary agriculture

Location Rubirizi district, Ankole sub region

Project brief

Aralla Farm is a private limited company that was incorporated in Uganda on the 30th of August 2019. The primary business activity is the production, marketing, and distribution of shell eggs. The project is situated in Bunyaruguru, Rubirizi district, and spans 6 acres, with three large houses for production. The farm is mechanized with cages and powered by solar. The farm currently has 30,000 layers, producing an average of 838 trays of eggs per day, totaling 306,000 annually. The project promoters have invested heavily in the project by constructing a warehouse with a storage capacity of 4,000 Metric tons and by acquiring and installing a feed mill, a complete system with a milling plant, dryer, and mixer. The raw materials are sourced from the community and processed at the company's factory to produce high-quality poultry feeds.

Impact: The company supports community development through employment, food production, and agricultural linkages. It currently employs 11 permanent and 2 casual workers, with plans to add 5 more permanent staff; notably, 80% of employees are youth, helping address high youth unemployment. It produces 305,870 trays of eggs annually, projected to rise to 401,500, contributing a rich source of protein and vitamins. The business also creates a market for over 1,000 maize and soybean farmers, mainly from Kamwenge, Rubirizi, Kasese, Mitooma, and nearby districts who supply raw materials for poultry feed. Additionally, it sells organic manure from chicken droppings, improving soil health, fertility, and farm productivity.



Rubanga Cooperative Society Limited

Sector Agro processing

Location Napak-Karamoja

Project Brief

Rubanga Cooperative Society Limited (RCSL) is a member-owned cooperative society registered under the Cooperative Societies Act of Uganda. Established in 1986, it aims to unite smallholder farmers to produce high-quality goods in bulk for better markets, thereby increasing their members' incomes. The Cooperative is among the top ten coffee processors in Western Uganda and has been involved in the coffee industry for over 39 years, demonstrating steady growth in traded volumes and in infrastructure development. It operates in 8 districts of Mitooma, Rubirizi, Ibanda, Sheema, Kyenjojo, Bunyangabu, Buhweju, and Ntungamo with 11,000 registered members organized in 409 RPOs (Rural production organizations), and these predominantly grow Robusta coffee (75%) and 25% arabica coffee.

RSCL currently has a coffee processing capacity of 6 metric tons per hour and serves markets in the East African community, the European Union, and Canada, focusing on primary production, bulking, processing, and marketing.

Impact: The cooperative supports 10,000 members by creating a reliable market for their coffee, enabling collective marketing and better prices, while employing 40 permanent staff. It provides high-quality inputs through its shop and certified nursery beds, supplying improved seedlings, fertilizers, pesticides, and equipment to boost productivity. Farmers also benefit from agricultural extension services, including training in climate-smart and sustainable practices, delivered in partnership with Agriterra, the Agribusiness Development Center (ADC), and UCDA Limited, supported by five extension workers. The cooperative minimizes post-harvest losses through value addition, storage capacity of 1,200 metric tons, and modern processing equipment with a capacity of 6 metric tons per hour. Additionally, it exports about 95% of its coffee, generating approximately USD 10.96 million in foreign exchange annually.

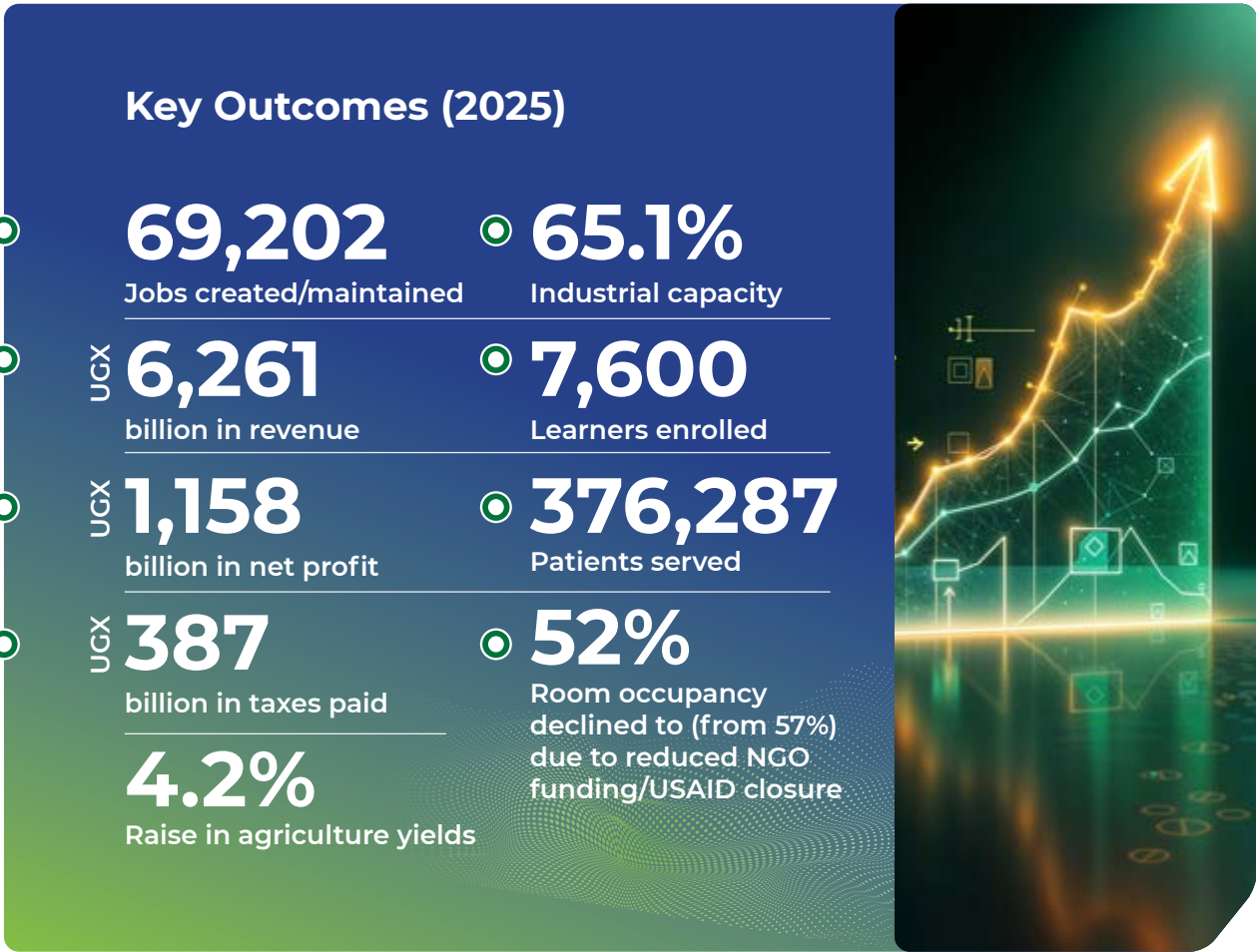




Creating Lasting Value for Uganda

Uganda Development Bank (UDB) plays a catalytic role in advancing Uganda’s sustainable socio-economic transformation agenda to improve the quality of life of Ugandans. In line with Vision 2020, the National Development Plan (NDP IV), and the 10-Fold Growth Strategy, the Bank supports SMEs and large enterprises across agriculture, industry, infrastructure, and services, while crowding in private capital and strengthening financial inclusion for women and youth.

This advances inclusive growth and development, enhances Uganda’s productive capacity, and strengthens national competitiveness through the provision of financial support, including debt and equity financing, as well as non-financial services such as business advisory and project preparation services. These interventions are directed toward building a sustainable agrifood system, promoting sustainable industrialization, and developing a resilient services sector, which form the Bank’s High Impact Goals (HIGs). UDB finances projects with strong potential to generate socio-economic returns, including jobs, contributions to GDP, tax revenues, and foreign exchange earnings, while integrating environmental sustainability through green finance and climate-smart investments.



UDB Beneficiaries

UDB beneficiaries are enterprises that receive financial support from the Bank. By December 2025, the Bank’s direct total beneficiaries had reached 83,428 individuals as well as 886 enterprises. Overall, the bank has financed 112,405 beneficiaries either

directly as projects, or through other innovative financial solutions such as FinTech, farmer group models and specialised interventions like the electricity and water connection initiatives.

Categories and numbers of beneficiaries

Categories of Beneficiaries	Number of beneficiaries
Enterprises	
Total funded enterprises by UDBL	886
Still active	689
Groups and cooperatives	
Agricultural Cooperatives	95
UDB Agri connect	665
Direct individual member beneficiaries (a and b)	53,428
Other interventions	
Electricity Program	30,000 connections
Water	27,307 connections
Total Direct Beneficiaries	112,381

Source: Ex-post assessment 2025.

Analytical Framework

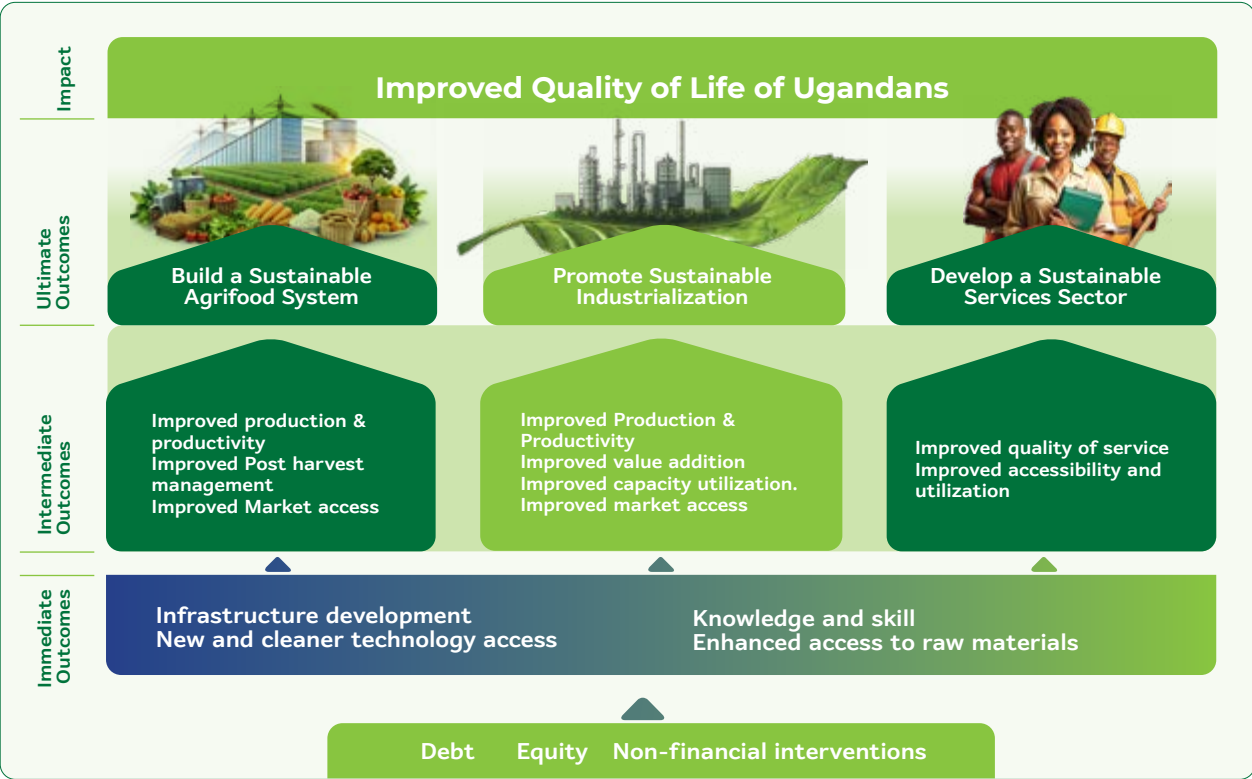
The UDB analytical framework for development impact assessment is anchored in its Theory of Change, which links investments in debt, equity, and non-financial services such as business advisory and project preparation services to sectoral interventions and measurable results across agriculture, industry, services, and infrastructure. The framework is guided by the Bank's High Impact Goals (HIGs), which include building sustainable agri-food systems, promoting sustainable industrialisation, and developing a sustainable services sector. It provides a structured basis for tracking outputs, outcomes, and overall impact under the 2025–2029 UDB Strategy.

In the context of UDB, inputs refer to human resources, financial resources, and institutional capacity (the systems, policies, and organisational

arrangements that enable the Bank to operate effectively), among others, required to deliver the intended outputs. The Bank's outputs to private and public enterprises consist of Debt, Equity, and Non-financial interventions such as business advisory and project preparation services. It should be noted that the Bank's output is also an input into the private and public enterprises funded.

The Bank's output (debt, equity, and non-financial interventions) is geared towards the development of infrastructure and facilitating access to new and cleaner production technologies for private and public sectors, as well as enhancing productivity, competitiveness, and sustainability across key economic sectors.

UDB's theory of change for 2025-2029 strategy



Source: UDB MEL framework 2025-2029

Social Impact

Jobs created and maintained

In 2025, the jobs created and maintained by UDB-supported enterprises reached 69,202, an increase of 13,649 (25%) from 55,553 jobs in 2024. Of the additional jobs, 4,311 were new positions created and filled following UDB support, while 9,338 jobs were maintained within newly financed enterprises in 2025, reflecting the Bank's continued contribution to both job creation and job retention.

Table 15: Categories of jobs created and maintained

Job categories	Male	Female	Total
	4,1561	27641(39%)	69,202
Permanent	18,561	10,044	28,605 (41%)
Temporary	23,000	17,597	40,597(59%)
Youth	30,746	19,475	50,221(73%)
PWDS	148	44	192(0.3%)

Source: Ex-post assessment 2025.

Distribution of the jobs created and maintained by UDB lending segment

The 69,202 jobs created and maintained by UDB-supported enterprises in 2025 were generated through two financing windows: the mainstream lending portfolio and special programmes targeting inclusive growth segments such as youth, women, and SMEs.

Table 16: Distribution of the jobs created and maintained by UDB lending segment

Segment	Total Jobs	Permanent	Temporary
Mainstream	62,410 (90%)	25,958 (42%)	36,452(58%)
Special program	6,792 (10%)	2,647(39%)	4,145 (61%)
Grand Total	69,202	28,605	40,597

Source: Ex-post assessment 2025.

While mainstream financing remains the primary driver of employment creation, special programmes play a critical complementary role in widening inclusion and ensuring that vulnerable and underserved groups benefit from UDB's financing interventions.

Sectoral distribution of Jobs created and maintained

In 2025, job creation and maintenance was dominated by the industry sector, followed by services, infrastructure, and primary agriculture. This distribution reflects the economy's ongoing structural transformation towards industrialisation, expansion of the services sector, and rising agricultural productivity through mechanisation and improved input use.

Table 17: Sectoral distribution of Jobs created and maintained

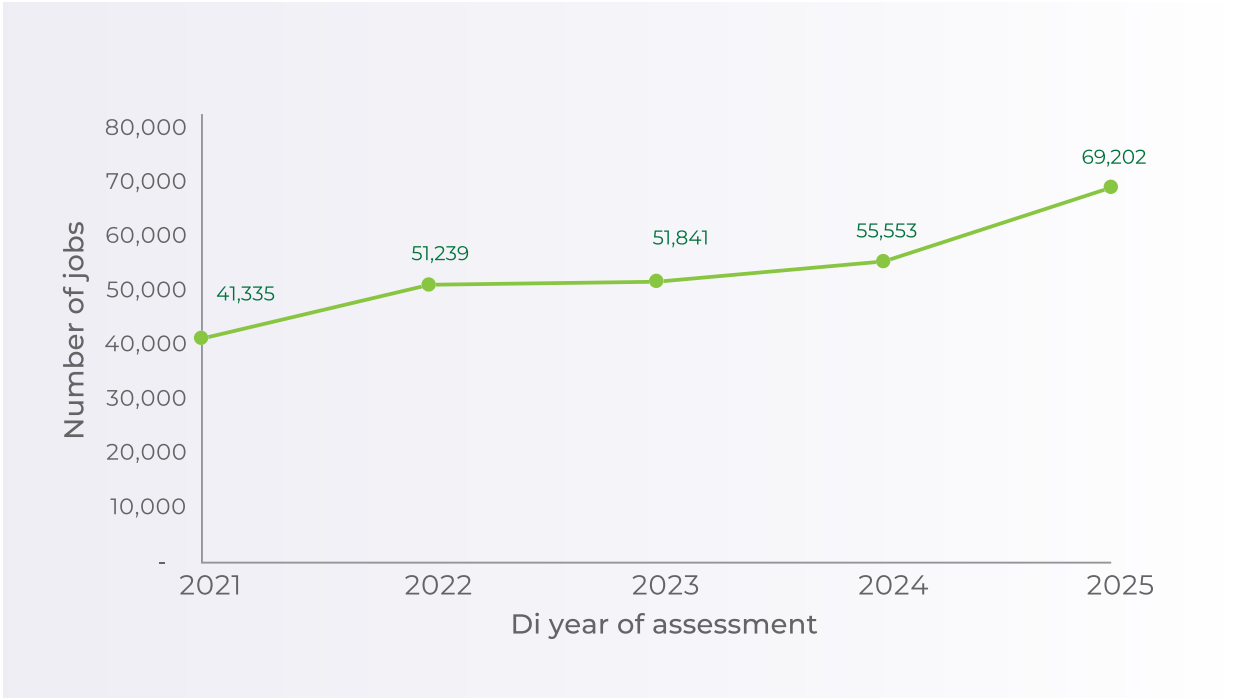
Sectors/Sub-sectors	Total Jobs	Youth (<35 years)	PWDS
Industry	44,281(63.99%)	35,052 (79.16%)	129(0.29%)
Agro based industry	30,226	29,638	99
Extractive based industry	5	-	0
Knowledge intensive industry	55	13	0
Manufacturing	13,996	5,402	30
Infrastructure	8,029(11.60%)	7,200(89.67%)	7(0.9%)
Energy	152	96	0
Transport	684	956	7
Water and Sanitation	7,194	6,148	0
Primary Agriculture	6,596(9.53%)	3,520(53.36%)	28(0.42%)
Primary Agriculture	6,597	3,520	28
Services	9,099(13.15%)	6,700(73.13%)	28(0.31%)
Creatives Industry	520	194	3
Education	1,455	673	5
Health	2,874	1,269	2
Tourism and Hospitality	4,251	4,565	18
Others	1,195(1.73%)	910(76.13%)	0
Others	1,195	910	0
Grand Total	69,202	53,382(77.13%)	192

Source: Ex-post assessment 2025.

Trend of Jobs created and maintained for the past five years (2021-2025)

The Bank continues to support sustained employment creation, with jobs generated and maintained by UDB-funded enterprises increasing from 41,335 in 2021 to 69,202 in 2025. This reflects a steady rise from 51,239 in 2022, 51,841 in 2023, and 55,553 in 2024. This growth trajectory has been achieved amid persistent external shocks, including the COVID-19 pandemic, the Russia–Ukraine war, and the Middle East conflict, which have contributed to global inflationary pressures and supply chain disruptions affecting business operations. The trend highlights the resilience of the Bank’s financing interventions and their continued role in sustaining and expanding employment outcomes.

Trends of jobs created and maintained for the past five years



Source: Ex-post assessment 2025.

Earnings and benefits of employees of UDB-supported enterprises.

- Earnings & Workforce Overview**
69,202 total employees in UDB-supported enterprises
20,761 earn UGX 210,000–420,000 (median income range)
18,685 (27%) earn above UGX 420,000
- Common Benefits Offered**
Meals | Accommodation | Medical support | Leave benefits
- Social Protection**
Strong focus on improving worker security and quality of life
Over 50% of enterprises contribute to NSSF
Lower NSSF uptake in sectors with more temporary workers
- Working Conditions**
Most enterprises comply with Occupational Health & Safety (OSH) standards
Standard working hours: 8 hours per day for most employees

Employee Benefits Coverage
82% of enterprises provide at least two employee benefits

Social Inclusion and Inclusive Payment Systems in UDB-Funded Enterprises

The Bank promotes social inclusion by supporting equitable participation of women, youth, and persons with disabilities (PWDs) across enterprise ownership, governance, senior management, and employment. Through targeted financing and special programmes, UDB has enhanced representation of marginalised groups in economic activities and decision-making structures. The assessment shows notable progress, particularly in women and youth inclusion, although participation of PWDs remains limited. These outcomes demonstrate the Bank’s contribution to inclusive growth and improved diversity within supported enterprises.

Social Inclusion Indicators in UDB-Funded Enterprises, 2025



Levels of inclusion	Women	Youth	People With Disabilities
Share holding	34% women shareholders owning 27% shares	28% Youth shareholders owning 11%	0.5% PWDs shareholders owning 0.2%
Board Representation	36% women in Board	18% Youth in Board	0.6% PWDs in Board
Senior management Representation	34% in senior management	36% of Youth in Senior Management	0.6% of PWDs in Senior Management
Employment	39% of the Jobs were taken by Women	73% of the Jobs were taken by youth	0.3% Jobs taken by PWDs

Source: Ex-post assessment 2025.

Participation of Key Social Groups in Economic Activities (Earnings and Benefits)

UDB tracks employee earnings and non-wage benefits across supported enterprises to assess welfare outcomes. The findings show that out of 69,202 employees, a significant proportion fell within the lower-to-middle income bracket, while a notable share earns above UGX 420,000. In addition, most enterprises provide multiple non-wage benefits, improving overall worker welfare and productivity.

Economic Development Outcomes

Gross Revenues Generated by UDB-Supported Enterprises

UDB-supported enterprises generated UGX 6,261 billion in gross revenues in 2025, reflecting strengthened productive capacity and ongoing structural transformation

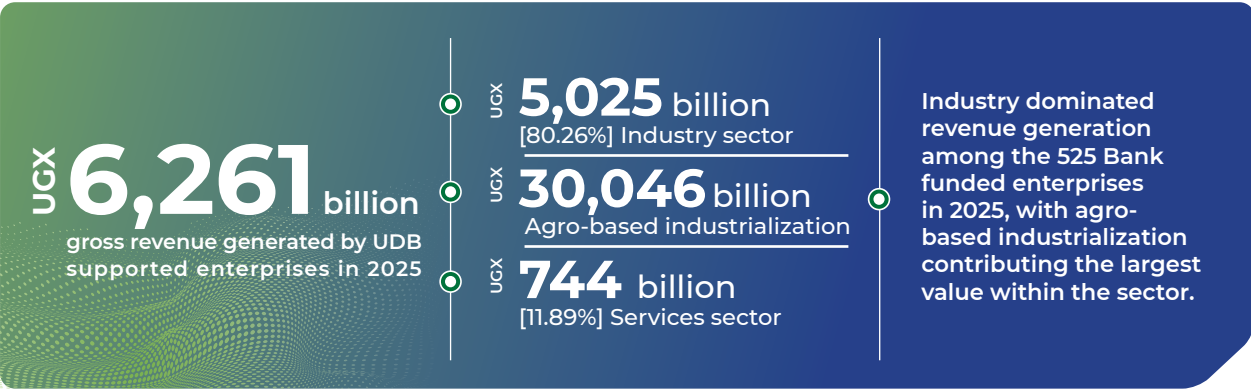


Table 18: The sectoral distribution of gross revenues generated by 525 enterprises assessed

Sector and sub-sector	Number of enterprises	Gross revenues (output) UGX billions
Industry	166	5,025
Agro-Industrialization	98	3,046
Extractive based industry	1	0
Knowledge intensive industry	1	4
Manufacturing	66	1,975
Infrastructure	20	192
Energy	3	73
Transport	13	112
Water and Sanitation	4	7
Primary Agriculture	164	274
Primary Agriculture	164	274
Services	168	744
Creatives Industry	2	45
Education Services	24	63
Health Services	29	210
Tourism and Hospitality	113	426
Others	7	26
Grand Total	525	6,261

Source: Ex-post assessment 2025.

Trend of Gross Revenues Generated by UDB-Supported Enterprises

Gross revenues generated by UDB-supported enterprises increased steadily from UGX 2,480 billion in 2021 to UGX 6,261 billion in 2025. Revenues rose to UGX 3,358 billion in 2022, UGX 5,861 billion in 2023, and UGX 6,053 billion in 2024 before reaching the 2025 level. The sustained growth reflects expanding productive capacity, increased value addition, and improved enterprise performance despite global economic shocks. The trend demonstrates the growing contribution of UDB financing to industrialisation, structural transformation, and economic growth in Uganda.

Trend of Gross Revenues Generated by UDB-Supported Enterprises (2021–2025)



Source: Ex-post assessment 2025.

Trend of Profitability of UDB-Supported Enterprises

Profitability of UDB-supported enterprises increased steadily from UGX 314 billion in 2021 to UGX 1,158 billion in 2025. Profitability rose to UGX 492 billion in 2022, UGX 869 billion in 2023, and UGX 1,061 billion in 2024 before reaching the 2025 level. The upward trend reflects improved enterprise efficiency, expanding productive capacity, and stronger business resilience despite global economic shocks. Increased profitability has important multiplier effects through higher tax contributions, business expansion, reinvestment, and sustained employment creation, thereby supporting Uganda's structural economic transformation.

Table 19: The sectoral distribution of profitability by the 525 enterprises

Sector/sub-sector	Number of enterprises	Profitability (Net profit) UGX billions
Industry	166	930
Agro-Industrialization	98	564
Extractive based industry	1	0
Knowledge intensive industry	1	1
Manufacturing	66	365
Infrastructure	20	35
Energy	3	13
Transport	13	21
Water and Sanitation	4	1
Primary Agriculture	164	51
Primary Agriculture	164	51
Services	168	138
Creatives Industry	2	8
Education Services	24	12
Health Services	29	39
Tourism and Hospitality	113	79
Others	7	5
Grand Total	525	1,158

Source: Ex-post assessment 2025.

Trend of Profitability of UDB-Supported Enterprises (2021–2025)



Source: Ex-post assessment 2025.

Tax Revenue Contribution by UDB-Supported Enterprises

The assessment focused mainly on Corporate Income Tax (CIT) and Pay As You Earn (PAYE) contributions generated by UDB-supported enterprises. UDB-supported enterprises contributed significantly to domestic revenue mobilisation through tax payments arising from expanded business operations and improved profitability. In 2025, the assessed enterprises contributed a total of UGX 387 billion in taxes, with the industry sector accounting for the largest share at UGX 307 billion (79%), followed by the services sector at UGX 53 billion (14%). Primary agriculture contributed UGX 15 billion (4%), while infrastructure contributed UGX 11 billion (3%). The findings demonstrate the role of UDB financing in strengthening formal enterprise growth, broadening the tax base, and supporting public revenue generation necessary for national development and structural economic transformation.

Table 20: Sectoral Distribution of Tax Revenue Contribution by UDB-Supported Enterprises, 2025

sector/sub-sector	Number of enterprises	Number of enterprises (%)
Industry	166	307(79%)
Agro-Industrialization	98	180
Extractive based industry	1	0
Knowledge intensive industry	1	0
Manufacturing	66	126
Infrastructure	20	11(3%)
Energy	3	4
Transport	13	6
Water and Sanitation	4	0
Primary Agriculture	164	15(4%)
Primary Agriculture	164	15
Services	168	53 (14%)
Creatives Industry	2	5
Education Services	24	4
Health Services	29	19
Tourism and Hospitality	113	25
Others	7	2(0.5%)
Grand Total	525	387

Source: Ex-post assessment 2025.

Trend of Tax Revenue Contribution by UDB-Supported Enterprises (2021–2025)



Source: Ex-post assessment 2025.

Trend of Tax Revenue Contribution by UDB-Supported Enterprises

Tax revenue contributions by UDB-supported enterprises increased steadily from UGX 84 billion in 2021 to UGX 387 billion in 2025. Contributions rose to UGX 148 billion in 2022, UGX 236 billion in 2023, and UGX 316 billion in 2024 before reaching the 2025 level. The sustained growth reflects improved enterprise profitability, increased formalisation, and expansion in business operations supported by UDB financing interventions. The upward trend demonstrates the Bank’s contribution to strengthening domestic revenue mobilisation, broadening the tax base, and supporting national development through enhanced economic activity and structural transformation. UDB-supported enterprises contributed significantly to Uganda’s foreign exchange earnings through export growth, tourism activities, and increased production of tradable goods and services.

Table 21: Sectoral foreign exchange earnings.

Sectors/sub-sectors	Number of enterprises	Forex earnings Ugx billions (%)
Industry	166	1482(80%)
Agro-Industrialization	98	899
Extractive based industry	1	0
Knowledge intensive industry	1	1
Manufacturing	66	583
Infrastructure	20	57 (3)
Energy	3	21
Transport	13	33
Water and Sanitation	4	2
Primary Agriculture	164	81(4%)
Primary Agriculture	164	81
Services	168	220 (12%)
Creatives Industry	2	13
Education Services	24	19
Health Services	29	62
Tourism and Hospitality	113	126
Others	7	8 (0.4%)
Grand Total	525	1,847

Trend of Foreign Exchange Earnings by UDB-Supported Enterprises (2021–2025)

Foreign exchange earnings by UDB-supported enterprises increased steadily from UGX 405 billion in 2021 to UGX 1,847 billion in 2025. Earnings rose to UGX 694 billion in 2022, UGX 953 billion in 2023, and UGX 1,109 billion in 2024 before reaching the 2025 level. The sustained upward trend reflects growing export capacity, improved production of tradable goods and services, and increased participation in external markets. This performance highlights the contribution of UDB financing to strengthening Uganda’s foreign exchange position, enhancing external sector resilience, and supporting structural economic transformation through export-led growth.

Trend of Foreign Exchange Earnings by UDB-Supported Enterprises (2021–2025)



Source: Ex-post assessment 2025.

Sectoral Performance

in line with the National Development Plan (NDP IV) and the 10-fold growth strategy, UDB has identified Industry, Infrastructure, Primary Agriculture and Services as priority sectors to achieve its overall objective of improving quality of lives of Ugandans. Below are the sector specific indicators.

Primary Agriculture

UDB's funding to Primary Agriculture is to transform farming into a commercialized, efficient, and sustainable sector, Primary Agriculture is central in driving economic growth and reducing poverty. The Bank's interventions are mostly to support backward and forward linkages within the agricultural value chain. Out of the 525 enterprises evaluated, 164 (31%) were in Primary Agriculture with 109 mainly in livestock and 55 in crop production.

Major crops and livestock funded

Main Crops grown		Funded by UDB	Main live stocks reared	
Coffee	3%	Yes	Cattle	73%
Ground nuts	1%	No	Goats	10%
Cassava	5%	yes	Fish	8%
Banana	2%	No	Apiary	2%
Maize	29%	Yes	Poultry	33%
Beans	13%	No	Others	2%
Sunflower	4%	Yes		
tea	5%	Yes		
Sugarcane	58%			
Oil Palm	2%			
Rice	5%			
76 crops selected by 55 enterprises			77 livestock selected by 60 enterprises	

Source: Ex-post assessment 2025.

Main activities financed by the Bank in primary Agriculture [Support to 164 enterprises]



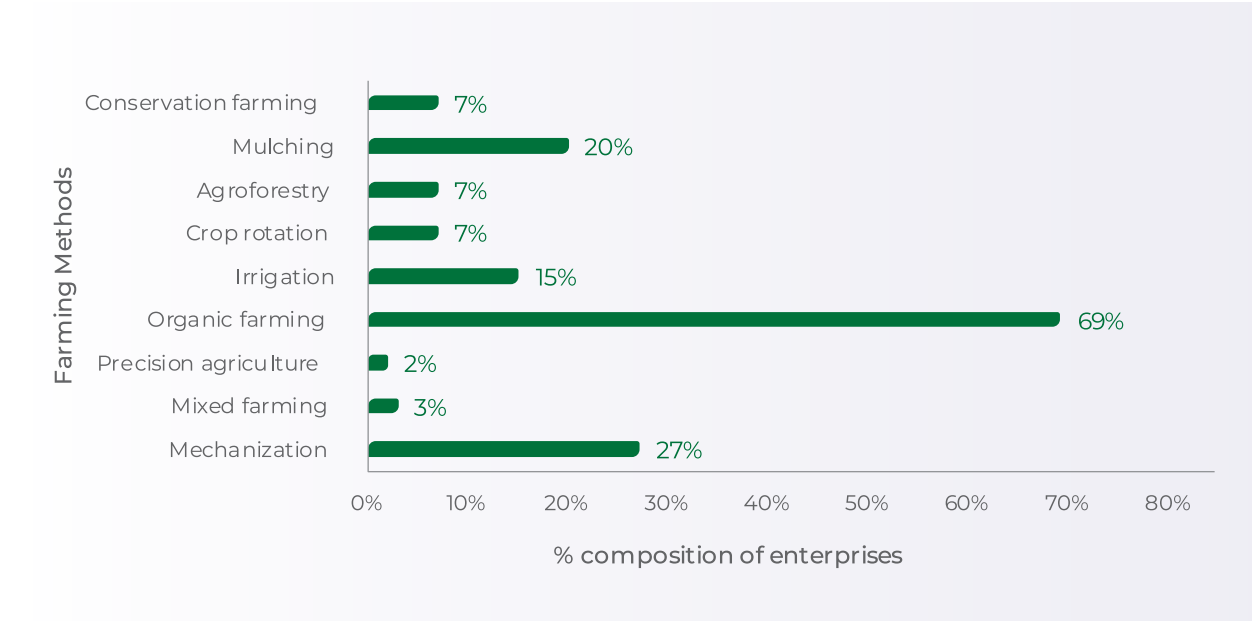
Land tenure Systems and Agri-land access

Out of the 164 enterprises in primary agriculture, 162 (99%) owned land tenure of freehold (112), customary (39), private mailo (15), leasehold (6), and 4 under Kabaka's mailo. 3(2%) of the enterprises hired their agricultural land, 1(1%) had a lease tenure system. The land tenure system of the enterprises was mutually inclusive.

Farming methods - Crop

Agricultural production efficiency is sometimes directly dictated by farming methods. Use of modern, mechanized approaches has significantly increased yields.

Farming methods - Crop of UDB supported enterprises



Source: Ex-post assessment 2025.

Methods of Farming - Livestock

Under livestock, 54 (60%) of the enterprises were practicing Mixed livestock farming, which aims to maximize efficiency and enhance sustainability. 39 (43%) used intensive livestock farming methods, and 22 (24%) used semi-intensive methods. Under poultry, there were 35 enterprises, and 25(71%) were practicing deep litter, followed by cage farming, 11(31%), and 5(14%) practicing free range system.

Under aquaculture there were 9 enterprises with majority 7(78%) practicing cage farming, a rapidly growing, profitable aquaculture method, particularly in Lake Victoria, designed to address overfishing and meet high demand for fish, meanwhile 5(56%) using fishponds and 2(22%) using other methods and in Apiary, there was only one enterprise practicing Modern Bee Farming (stackable boxes).

Production and Productivity

Agricultural production and productivity depend on several factors, including farming methods and efficient resource management. The Bank's strategic interest in financing primary agriculture

is to improve production and productivity. Whereas the enterprises were found to be involved in the production of several crops, the focus was on the crops funded by the Bank.

Table 23: Production and productivity

Crop	Quantity harvested in 2025	Average yield per acre (Kgs)		% change
		2024	2025	
Coffee	35,197 bags of 60Kgs	3.50Kg per tree	3.65Kg per tree	4.28%
Maize	120,024 (Tons)	1,899	1,910	0.6%
Sunflower	50,400 (tons)	900	975	8.3%
Tea	3,960 (Tons)	659	660	0.15%
Sugarcane	3,712 (Tons)	34,833	35100	0.8%
Oil Palm	Not reported	Not reported	Not reported	-

Source: Ex-post assessment 2025.

			
Coffee	Maize	Sunflower	Tea
9.3 million bags (60kg): Uganda's total production (2025) 35,197 bags (60kg): Contribution from UDB-financed enterprises 5,028 bags: Average coffee output per enterprise	120,024 tons: Production by UDB-funded enterprises +0.6%: Increase in maize productivity per acre	50,400 tons: Output from UDB-funded enterprises +8.3%: Productivity increase driven by climate-smart farming techniques	3,960 tons: Output from UDB-funded enterprises (2025) +0.15%: Marginal productivity increase despite sector wide price crisis

Livestock Productivity

Animal husbandry

Local cattle breeds yield 3 liters of milk daily, crossbreeds produce 6 liters, and exotic breeds reach 15 litres per day. For goats, daily milk output is 0.5 litres for local breeds, 1.5 litres for crossbreeds, and 2 litres for exotic breeds, while meat production ranges from 12 kg (local) to 22 kg (crossbreed) and 30 kg (exotic breed). Most cattle are indigenous Ankole long horned or Zebu, but there is increasing interest in crossbreeding to boost both milk and meat yields.

Fish farming: The enterprises primarily reared tilapia and catfish. It was established that the average weight per fish at harvest was 0.6Kg.

Apiary: It was established that, on average, the assessed apiary had modern Top Bar (KTB) hives with a harvest productivity of 10 kilograms per hive per harvest, with two (2) major harvests per year. In 2025, the enterprise harvested 10.8Tons of honey.

According to the UDB results framework, the industrial sector drives value addition, import substitution, export growth, foreign exchange earnings, government revenue, job creation, and technology development. Of 166 industrial enterprises assessed in 2025, 49% received support for equipment purchases, though equipment

mobilization remains a major challenge, accounting for over 75% of the initial investment. Some industries continue to struggle with outdated equipment. In addition, 44% of enterprises received support for purchasing raw materials or working capital, and 16% received assistance for constructing machine houses or storage facilities.

Raw Material and capital equipment Sourcing

Raw material sourcing for industrial use is diverse, with agro-based industries sourcing up to 90% of their raw material locally, extractive-based industries sourcing up to 75% locally, knowledge-intensive industries importing up to 95% of their raw materials, and manufacturing industries importing up to

85% of raw materials (the % increases higher in the production of steel and pharmaceuticals). Production equipment is 98% imported, though enterprises in special programs are reporting increased local manufacturing of machinery for cottage factories.

Technology transfer

Promoting sustainable Industrialization cannot be achieved without technological transfer. In 2025, 55% of enterprises in the industry sector offered technology transfer; 45% specialized skills were impacted, with 24% adopting cleaner production technology.

Industry sector export revenue and the Major Export Destination

Uganda's industrial export growth is mainly driven by value addition in agro-processing, minerals, and manufacturing.



Source: Ex-post assessment 2025.

Post-harvest handling

Post-Harvest Losses in Crop Production
There has been a 0.5 percent reduction in post-harvest handling, including improper drying, poor storage, and inadequate transportation infrastructure. This is a positive move, following the 0.3% reduction achieved in 2024.

Post-Harvest Losses in Livestock Farming
Post-harvest losses in livestock reported were mainly due to milk and egg handling, with

percentage losses of up to 7% for milk and 5% for eggs. Fully automated poultry enterprises report post-harvest losses of less than 3%.

Industry
The industrial sector is a major contributor to GDP and employment. The Bank targets four key sub-sectors: agro-based, extractive, knowledge-intensive, and manufacturing industries.

Sustainable Services Sector

The bank categorizes the service sector into four key sub-sectors: human capital development (health & education), creative industry, and tourism and hospitality.

Human capital development

Education.
The Bank strategically supports education sub-sectors to improve the quality of the country's workforce. Whereas education has several impact indicators, UDB strategically focuses on improving access and quality of learning. In 2025, out of the 24 enterprises in the sector, 8 (33%) were BTNET, followed by Higher Institutions of learning at 6 (25%) and primary and secondary at 5 (21% each). The Bank funded three major activities in the education sub-sector. These include 15 enterprises focused on the construction of mainly learning spaces, dormitories, and other facilities such as science laboratories; 8 with school equipment, including science laboratories; and 2 supported with working capital. The banks' support was mutually inclusive.

Key outcomes

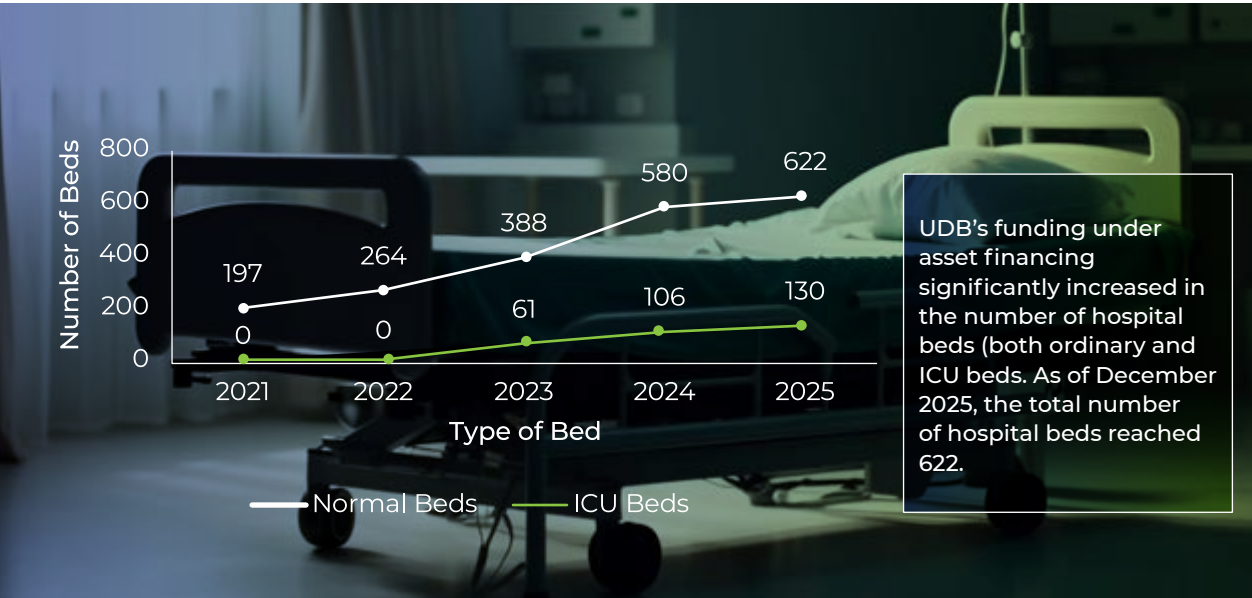
Enrolment
A total of 7600 learners were enrolled in the 24 learning institutions. This is 36% increase as compared to the 2024 enrolment of 5,561 learners by UDB-funded education institutions. Of the 7,600 learners enrolled in 2025, 87 had disabilities. The learning spaces, designed with inclusive features such as ramps and customized sanitary facilities, create a more conducive environment for learners

with special needs. Seven learning spaces with 28 learning rooms, three (3) science laboratories, and one (1) hall of residence were constructed in 2025. The increased enrolment was attributed to improved learning equipment, such as science laboratories, expanded facilities, and increased capacity for learning spaces, among others. 359 teaching jobs were created in the year under review because of UDB intervention.

Health Services
In 2025, UDB funded 29 enterprises under the health sub-sector. Of these, 17 were Health centers, 11 were hospitals, and 1 was a pharmacy. The Bank's support was mainly for construction 16 (55%), asset financing 12 (41%), and health consumables 2 (7%).

Key Health Outcomes

Hospital Beds



Source: Ex-post assessment 2025.



Source: Ex-post assessment 2025.

The increased bed capacity and the procurement of other medical equipment, such as X-rays, CT scans, automated haematology analysers for cell counts (CBC), chemistry analysers for metabolic panels, and centrifuges for plasma separation, among others, have led to increased patient inflow in the

UDB-funded facilities. Overall, 376,287 patients were served in 2025, a 6% increase from 2024. Of the 376,287 patients served, 6,531 were foreigners, including 1,231 direct referrals from foreign hospitals. Meanwhile, 5,771 nationals were referred.

Promotion of Health tourism

Uganda is a destination for outbound medical tourism, with many citizens seeking specialized care abroad. However, as health systems and facilities improve, the country is steadily developing health sector tourism, positioning it as an emerging

East African hub for affordable, specialized care. Foreigners seek health services, including fertility treatments, orthopaedics, and advanced diagnostics. In 2025, UGX 62 billion in health tourism revenue was generated by enterprises funded by UDB.

Table 24: Major Services offered by UDB funded enterprises in 2025(n=29)

Services	% share
Cardiology and Cardiovascular Surgery	24%
Obstetrics and Gynecology	45%
Diabetology and Endocrinology	24%
Psychiatry and Mental Health	31%
Oncology (Cancer Care)	17%
Ear, Nose, and Throat (ENT)	34%
Urology and Renal Science	21%
Orthopedics	28%
Internal Medicine	38%

Obstetrics and Gynaecology (45%) stand out as common and major health services offered by most UDB-funded enterprises in 2025. This was followed by Internal Medicine, and last was Oncology (Cancer Care).

Tourism & Hospitality Development

Naturally, Uganda boasts of 10 national parks and 12 game reserves, with prime activities including gorilla trekking in Bwindi/Mgahinga, chimpanzee tracking, birding, and adventures on the Nile. The tourism and Hospitality sector is Uganda's top foreign exchange earner, contributing significantly to the country's GDP.

In 2025, of the 525 enterprises assessed, 113 were in the Tourism and Hospitality sector. Of these, 92 were hotels, 21 were tour operators; whereas the bank supports cultural/heritage sites, there was no enterprise assessed under this. The Bank's financial support to the tourism and hospitality sub-sector was mainly for working capital, 54 enterprises, construction 52 enterprises, and asset financing 13 enterprises.

Key outcomes

Overall, the 92 hotels had 3,361 rooms, averaging 36 per hotel. This reflects a 7% growth from 3,140 in 2024. The average room occupancy rate declined from 57% in 2024 to 52% in 2025. This was significant in Tourism facilities whose clientele base relied more on Non-Governmental Organizations (NGOs). In recent years, the NGO sector in Uganda has experienced a significant retrenchment, with the number of registered organizations dropping from over 14,000 in 2019 to approximately 5,021 by August 2023, largely driven by government regulations and funding shifts.

Hotel star rating

In 2025, 39% of hotels had a rating from the Ugandan Tourism Board. This was a 30% increase from 30% rated in 2024.

Foreign earnings

The tourism sector generated UGX 126 billion in foreign earnings.

Sourcing hotel consumables

88% of hotel consumables were sourced from the local market, while 13% of the enterprises owned

farms, and 6% imported. The four- and five-star hotels, due to continental food demand, are driven to import certain food items, such as seafood, toiletries (dental/shaving kits), high-quality bed linens, towels, slippers, and guest-room paper products.

Tourist countries of origin

The USA registered the highest number of tourists to Uganda with 28%, followed by the European Union (mostly from Belgium, 16%), Germany, and UK at 14% each.

Infrastructure Development

UDB's strategy outlines transport as a key infrastructural enabler in driving efficient domestic and international trade, reducing the cost of trade, improving market access, and advancing industrialization and access to essential services like healthcare and education, ultimately connecting people to opportunities. The Bank is on track to achieve the desired outcomes of its transport

intervention. In 2025, 13 energy enterprises were assessed, and the Bank's investment supported the construction of 138.5 km of new roads. These roads were mostly in the oil well areas of Hoima and Bulisa. 53 km of road were upgraded to tarmac, 28 km of road were repaired and maintained, and 5 bridges were constructed. The enterprises have several ongoing road works.

Reliable energy

Reliable energy access increases productivity, fosters technological innovation, and enables essential services, making it a critical, non-negotiable factor in overcoming poverty and improving quality of life. The Bank established that there were three enterprises assessed of this two were in generation-although yet to commence actual power generation, one in distribution with 102Kms of power lines constructed.

Water and sanitation

Under water and sanitation, in 2025, four (4) enterprises were eligible for assessment, and the findings show a significant contribution to water production with 11 boreholes constructed mainly in the Eastern and Northern Uganda regions. The boreholes were constructed for dual purposes of domestic and Agricultural production.



A water reservoir at one of the UDB sponsored projects.

Environmental Sustainability

Environmental Compliance

- **NEMA certification:** 70% (stable, 2023–2025)
- **Annual environmental audit compliance:** 57% (2023) → 46% (2024 & 2025)
- **Highest compliance sectors:** Tourism, hospitality, manufacturing, education
- **Lowest compliance sectors:** Primary agriculture, Special Program projects
- **Trend insight:** Compliance plateau (70%) with declining audit follow through (-11 percentage points)



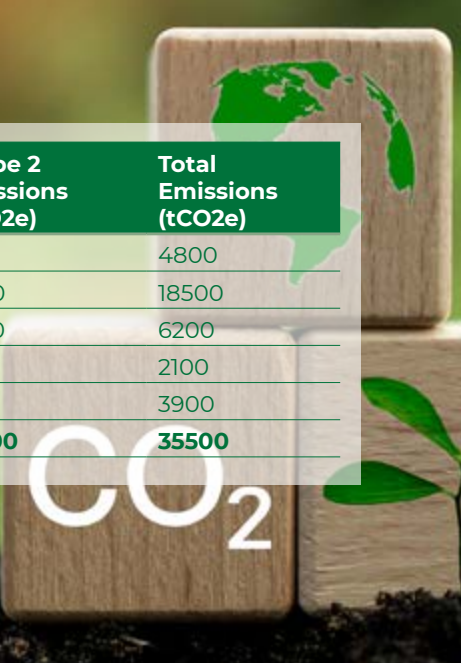
Potential GHG Emissions Generated

GHG emissions were assessed using a portfolio-level, ex-post approach aligned with the GHG Protocol, focusing on Scope 1 (direct fuel) and Scope 2 (electricity) due to their relevance and measurability. Scope 3 emissions were excluded due to a lack of supply-chain data. With inconsistent energy data, sector-based estimates, and IPCC emission factors, a conservative annual portfolio estimate of about 35,500 tCO₂e in Scope 1 and 2 emissions.

GHG Emissions Generated

Sector	Scope 1 Emissions (tCO ₂ e)	Scope 2 Emissions (tCO ₂ e)	Total Emissions (tCO ₂ e)
Primary Agriculture	3600	1200	4800
Agro-processing & Manufacturing	11100	7400	18500
Tourism & Hospitality	2600	3600	6200
Health & Education	500	1600	2100
Infrastructure & Transport	3100	800	3900
TOTAL	20900	14600	35500

Source: Ex-post assessment 2025.



GHG emissions avoided

Avoided GHG emissions reflect climate benefits from cleaner enterprise practices, such as solar adoption, reduced diesel use, and improved waste management, while removals account for carbon sequestered through tree planting. A conservative, sector-based estimation using standard emission factors was applied due to incomplete energy data, and the findings are summarized below.

Table 25: GHG emissions avoided

Sector	Sources of Avoided Emissions	Avoided Emissions (tCO ₂ e/year)	Sources of Removals	Removals (tCO ₂ e/year)	Total Avoided / Removed (tCO ₂ e/year)
Primary Agriculture	Solar irrigation & pumping; Reduced diesel use; Manure & crop residue reuse; Biomass substitution	3200	Commercial tree planting; Agroforestry	4500	7700
Agro-processing & Manufacturing	Solar PV; Reduced diesel generators; Use of bagasse & husks; Process efficiency	5100	Limited on-site tree planting	1200	6300
Tourism & Hospitality	Solar PV for lighting & water heating; Reduced diesel generators; LPG substitution	2300	Landscaping & small-scale tree planting	400	2700
Health & Education	Solar PV systems; Energy-efficient lighting & equipment	1100	Institutional tree planting	100	1200
Infrastructure & Transport	Solar installations; Reduced diesel for stationary equipment; Fuel efficiency improvements	1600	Roadside & facility tree planting	300	1900
Total		13,300		6,500	19800

UDB-supported enterprises generate emissions through their activities but also deliver meaningful climate benefits by avoiding and removing substantial emissions. This leads to a much lower net climate impact, showing that Uganda's industrialization and development goals can advance without a high emissions burden. The results highlight the value of integrating climate considerations into UDB's lending, appraisal, and project monitoring, as strategic financing can reduce national emissions intensity while supporting sustainable economic transformation.

Source of Water for Production

Water access is central to socio-economic development and enterprise productivity. Most assessed enterprises source water from the National Water and Sewerage Corporation (NWSC), followed by rainwater harvesting and other sources like valley dams and springs. However, most of the water, 55%, comes from boreholes, reflecting significant investment in private groundwater infrastructure. This approach not only ensures operational reliability and cost savings for high-demand users but also eases pressure on public water systems, especially in urban and industrial regions.

Climate Action

The Bank considers climate action a core pillar of Uganda's sustainable socio-economic transformation, shaped by the country's vulnerability to climate shocks and national development priorities. Climate change is recognized both as a systemic risk to key productive sectors and as an opportunity to drive green growth, resilience, and productivity. Accordingly, climate considerations are fully integrated into UDB's strategy, safeguards, and investment decisions, rather than treated as standalone interventions.

In operational terms, climate risk is embedded in project appraisal to ensure early identification and the implementation of mitigation measures that safeguard project sustainability. In 2025, 33.77% of Bank-supported projects were exposed to some form of climate risk, with the Central Region recording the highest exposure at 45.31%, followed by the Western (31.25%), Eastern (20.31%), and Northern (3.13%) regions. This distribution largely reflects the concentration of bank-supported projects in the Central Region and underscores the importance of targeted climate-resilient investments and risk management to support sustainable national development.

Climate action initiatives (adaptation and mitigation)

Data from the 2025 ex-post assessment revealed that about 30% of the projects supported by the Bank undertook deliberate climate actions. The climate actions deployed by the Bank’s clients included the use of efficient machinery, waste reuse/recycling, wastewater treatment, and tree planting. Use of more efficient machinery was the most adopted climate action measure, adopted by 62.96% of the enterprises, followed by waste recycling and reuse at 12.96%, and tree growing and wastewater treatment initiatives at 8% and 5%, respectively.

Energy Use Efficiency

The Bank advocates for the adoption of renewable energy in the funded projects to support the net-zero transition and the Paris Agreement. However, it recognizes an optimal energy mix that considers factors such as access to renewable energy and the availability of technology. There has been a 14% increase in the adoption of hydropower from 62% in

2024 to 76% in 2025, remaining the primary source of energy. Solar usage also grew from 23% to 29%, indicating an increased transition towards renewable energy sources.

The Bank confirms that energy-efficient technologies and cleaner production systems are the most widely adopted climate-mitigation measures across the Bank’s portfolio, reflecting strong demand for investments that reduce emissions while improving productivity and cost efficiency. Although about 36% of projects use fossil fuels such as diesel, petrol, or LPG, these are mainly supplementary or backup sources for generators, heavy machinery, and transport, with relatively low consumption volumes compared to renewable electricity. These findings support Uganda’s transition to a cleaner energy system while maintaining energy security and validate UDB’s balanced development-finance approach that promotes renewable energy alongside a pragmatic transition pathway.

Table 26: Energy Use Efficiency (%)

Sub-sectors	Hydropower	Solar	Biogas	Biomass	Diesel	LPG	Petrol
Agro based industry	91	17	1	13	41	4	10
Creatives Industry	100	50	0	0	100	0	0
Real Estate	100	0	0	0	67	0	67
Education	95	32	0	26	5	0	11
Energy	50	0	0	0	100	0	0
Extractive based industry	100	0	0	0	0	0	0
Health	95	25	0	0	50	5	10
Knowledge intensive industry	100	0	0	0	100	0	0
Manufacturing	100	8	0	3	36	5	8
Primary Agriculture	45	55	1	4	27	1	7
Tourism and Hospitality	89	20	3	11	43	36	11
Transport	57	29	0	0	57	0	14
Water and Sanitation	100	0	0	0	50	0	0
Overall Adoption	76	29	1	8	36	10	9

Waste Management

Type of Waste

UDB-supported enterprises generate diverse waste streams, but unsafe disposal practices, such as dumping and burning, remain common among smaller and rural businesses, threatening public health and the environment, especially in agriculture-dependent regions.

Waste disposal strategies

UDB-supported enterprises produce diverse waste streams, but unsafe disposal methods, such as dumping and burning, are still widespread among smaller and rural businesses. These practices continue to endanger public health and the environment, especially in agriculture-dependent communities, highlighting the need for improved waste management solutions.

Table 27: Waste disposal strategies

Type of Waste	No. of Enterprises	Volume	Unit of Measure	Major disposal strategy
Metal	15	20605	Kilogrammes	Scrap metal trading for recycling
Plastic and Polyethene	108	621120	Kilogrammes	Open burning Collection by authorities Sold for recycling
Glass	8	2756	Kilogrammes	Collected by authorities Dumping
Oil	22	635254	Litres	Sold for reuse/recycle Dumping
Wastewater	126	193331974	Litres	Soak pit Treat and release
Biodegradable and wood	176	1150878	Kilogrammes	Various
Paper and Cardboards	39	23557	Kilogrammes	Burning Energy recovery
Hazardous waste	31	26245	Kilogrammes	Burning Collected by licensed waste handlers
Other	36	33373845	Kilogrammes	Composted for manure Reused for feedstock

Waste management is a key driver of inclusive growth and climate mitigation, accelerating Uganda’s transition to a circular, resource-efficient economy. For the Bank, this presents major financing opportunities in waste-to-energy, composting, recycling, and logistics for SMEs

and agro-based businesses. Investment reduces emissions, improves compliance, and stimulates green value chains. Strategic funding for waste management enables the Bank to advance Uganda’s green growth and climate commitments while supporting national development goals.

Greening Opportunities

140+

enterprises are using renewable energy (solar & hybrid systems)

Lower emissions & costs through efficient equipment and cleaner production

Rising climate-smart agriculture

Solar-powered systems
Rainwater harvesting
Efficient irrigation → Improved resilience, productivity, and resource use

Expanding green investment opportunities

→ Renewable energy (large-scale solar, decentralized clean energy)
→ Bioenergy & biofuels (waste-to-energy)
→ Circular economy (PET recycling, organic fertilizers)

High-potential sectors

→ Agroforestry & sustainable forestry
→ Eco-tourism

Key figures

Up to 300,000 tCO₂/year sequestration potential (plantations)
USD 1 billion/year from eco-tourism

Impact

→ Drives climate-resilient
→ Sustainable economic growth



Risk Management

Introduction

Deeply embedded within the Bank's Financing Architecture is the recognition that development financing operates at the frontier of opportunity creation particularly in segments where high Development Impact is evident, but where conventional financial institutions exhibit limited risk appetite.

In this context, the Bank's Risks and Opportunities Management Framework has been a critical enabler of disciplined risk-taking, ensuring that the Bank can effectively pursue its mandate while safeguarding institutional sustainability. By systematically identifying, assessing, and

managing both the risks inherent in frontier markets and the opportunities linked to transformational development outcomes, the framework equips the Bank to allocate capital more strategically, structure interventions more intelligently, and respond proactively to emerging trends. It strengthens decision making across the institution by integrating risk insights into credit processes, investment selection, portfolio monitoring, and strategic planning.

The global risk environment in 2025 was characterized by an unusually demanding external environment for Development Finance Institutions (DFIs), shaped by macrofinancial, geopolitical, and structural shocks that further constrained development financing within the emerging economies. These only reshaped the Bank's resilience to re design its fund mobilization, Value propositions and delivery systems; among others.

The Bank maintained solid Risk Governance under the stewardship of the Board of Directors. Implementation of the business plan while optimizing the risk -reward approach was re enforced by the Bank's Executive Committee operationalized through the Risk Management Committee with clear accountability across the three lines of defense, i.e., (i) business ownership of risks and controls; (ii) independent risk oversight, aggregation, and advisory; and (iii) independent assurance provided by Internal and External Audit. Credit risk remained our most material financial risk in 2025, reflecting our mandate to finance long-term and transformative projects across priority sectors of Uganda's economy. The Bank managed this risk through a robust governance framework, including Board-approved risk appetite limits, rigorous due diligence, prudent transaction structuring, and continuous portfolio monitoring throughout the credit lifecycle. As of 31 December 2025, portfolio quality remained sound, with a Weighted Average

Risk Rating (WARR) of 1.9 and Expected Credit Loss (ECL) provisions equivalent to 5.1% of total credit exposure.

With the strengthened early warning monitoring, advanced risk analytics and risk data aggregations, quantitative portfolio reviews, stress testing and scenario planning the Bank's resilience and agility within the volatile environment has been on a continued growth trajectory, while ensuring Economic, Social and Environmental sustainability. The Bank maintained a conservative approach to capital management to support sustainable growth and absorb potential shocks. Capital planning was aligned with the strategic plan and supported by regular sensitivity analysis and stress testing, including macroeconomic and climate-related scenarios. The Bank remained strongly capitalised with a capital adequacy ratio of 99.3%, while maintaining a cost of funding within Board-approved thresholds.



The Bank's Risks and Opportunities Management Framework optimizes risk exposure while unlocking high impact opportunities that advance its mandate.

The frame work enables calculated, mission focused risk taking by balancing developmental ambition with prudent risk stewardship in every financing decision

Though the Bank's overall rating was pegged to the Sovereign rating, the Bank's national scale ratings continued to support access to competitive funding and enabled the Bank to pass these benefits to clients through sustainable pricing. We maintained

international and national ratings from Fitch Ratings, reflecting the strength of our governance framework, prudent risk appetite, and disciplined risk management practices

Table 30: Credit rating

Agency	Rating type	Rating	Outlook	Comment
Fitch Ratings	Long-Term Issuer Default Rating (IDR)	B	Stable	Affirmed on fitch page.
Fitch Ratings	National Long-Term Rating	AA+(uga)	Stable	Recalibration action- revised from AAA(uga) on recalibration

In pursuit of the digital delivery and data-driven decision-making, operational resilience remains a priority in the foreseeable future. This shall involve sustained investment in cybersecurity, business continuity and third-party risk management to ensure safe, reliable services and protection of customer and institutional information.

Sources of Risk in 2025 and Mitigation Strategies

Epidemic outbreaks like FMD exposed some of the livestock projects to increased non-physical risks. This could negatively affect production, repayment capacity, and collateral values in primary agriculture and related sectors. Mitigation. Enhanced sector due diligence coupled with tailored client support, where justified	Macroeconomic and credit risk pressures Borrower cashflow stress and market volatility increased credit risk, particularly for long-gestation projects. Mitigation included stronger underwriting, portfolio diversification, adherence to Board limits, proactive engagement, stress testing, forward-looking monitoring, and selective de-risking.	Geopolitical and supply chain disruption Regional and global events disrupted trade routes, increased input costs, and delayed project implementation, creating completion and repayment risk. Mitigation. We performed regular scenario analysis and sector monitoring along with enhanced supervision of vulnerable exposures. We also increased the frequency of project supervision for the vulnerable sectors to identify schedule and cost overruns early.	Compliance risk The expanding product and partnership activity elevates exposure to AML/ CFT, sanctions, fraud, and legal risks. Mitigation. We enhanced our compliance framework through robust KYC and screening controls, defined escalation matrices, and strengthened legal review of complex transactions, underpinned by continuous monitoring of regulatory requirements.
Operational risk Process failures, key-person dependency, change management challenges and service outages which could affect execution and stakeholder confidence. Mitigation. We continued to maintain clear succession planning and capacity building, disciplined change management, and business continuity testing among other mitigation strategies.	Market risk: Interest rate and foreign exchange Interest rate and FX volatility could affect our funding costs, investment values, and borrower repayment capacity. Mitigation. We implemented prudent asset-liability management, including natural hedges where possible, maintained funding and pricing discipline, and conducted active treasury monitoring through our governance structures.	Technology, cyber, and data risk Artificial Intelligence (AI) adoption increased exposure to data privacy vulnerabilities, cyber threats, identity compromise, and third-party vulnerabilities. This threat to data prompted a drive to host data centers locally. Mitigation. Includes AI governance, stronger data security and monitoring, routine testing, improved incident response, and enhanced third-party assurance.	Sustainability risk: physical and non-Physical, social. Extreme weather events such as droughts and floods posed climate-related risks that could impact projects and value chains, while policy and market transitions could also affect viability over time. Mitigation. Climate risk screening is embedded in the appraisal; scaling climate-smart and resilience financing; strengthened E&S/ESG safeguards; and promoting adaptation measures in financed projects.

As a future-fit Development Financial Institution (DFI), UDB is steadfast in its commitment to integrate sustainability principles into its operations while addressing economic, social and environmental responsibilities. The Bank aims to foster a positive and lasting impact on its stakeholders, the broader community, and the planet.

The Bank is deeply committed to sustainability principles, shaping its approach to sustainable development as a leading development financial

Our Approach to Sustainability Risk Management

UDB integrates Sustainability considerations throughout all business operations, recognizing that responsible practices extend beyond financial returns. Our comprehensive E&S risk

institution in Uganda. Recognizing its pivotal role in driving economic progress, UDB prioritizes environmental stewardship and social responsibility to create long-term value for stakeholders. The Bank has established internal policies, procedures, and controls to ensure the accuracy and reliability of the data presented in this Sustainability Risks Management report. Oversight of Sustainability Risks matters, including this report, is provided by the Board Audit and Risk Committee, reflecting the Banks's commitment to accountability and transparency.

management approach aligns with Uganda's regulatory environment and leverages the Banks's Sustainability Framework (ESMS)customised to our operations.

We proactively identify, assess, and mitigate sustainability risks across our operations and client engagements. By integrating sustainability into decision-making, we align with our sustainability

goals, uphold strong governance, reduce environmental impact, enhance social well-being, and strengthen the Bank's long-term resilience.

UDB's Sustainability Risk Management Approach



By embedding Sustainability risk assessment processes into lending practices at an early stage, we ensure Environmental and Social accountability in decision-making and monitoring. This is achieved through.

MANAGING ENVIRONMENTAL AND SOCIAL RISKS IN UDB



1.

Transaction Screening: To determine whether the transaction is eligible and identify its preliminary E&S risk level.
2.

Environmental & Social risk Due Diligence: To assess the borrower's environmental, social, health, safety (ESHS) performance and compliance status.
3.

Site Visit & Verification: To validate the accuracy of submitted information and assess ground realities.
4.

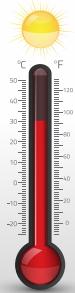
E&S Risk Mitigation & Action Planning: To define targeted mitigation measures to close identified gaps.
5.

E&S Risk Clearance for Credit Committee: Provide the Credit Committee with E&S assurance before loan approval.
6.

Integration into Legal Agreements: To ensure enforceability of E&S requirements.
7.

Monitoring, Supervision & Reporting: To ensure compliance throughout the transaction lifecycle.

Green Financing



0.23°C

per decade since 1950:

Rising temperatures and increasingly erratic rainfall are intensifying floods, droughts, landslides, and disease outbreaks.



0.11%

of global emissions:

Uganda's climate vulnerability is exacerbated by environmental degradation and rising methane and nitrous oxide emissions despite its minimal global contribution.



24%

of GDP:

Is provided by agriculture, which employs 68% of labour force and accounts for 85% of exports. The economy is highly dependent on climate-sensitive agriculture



USD 140

million annual climate costs

USD 3.2–5.9 billion projected losses:

Climate shocks are already costly for households and could significantly impact the national economy without urgent adaptation.



80%

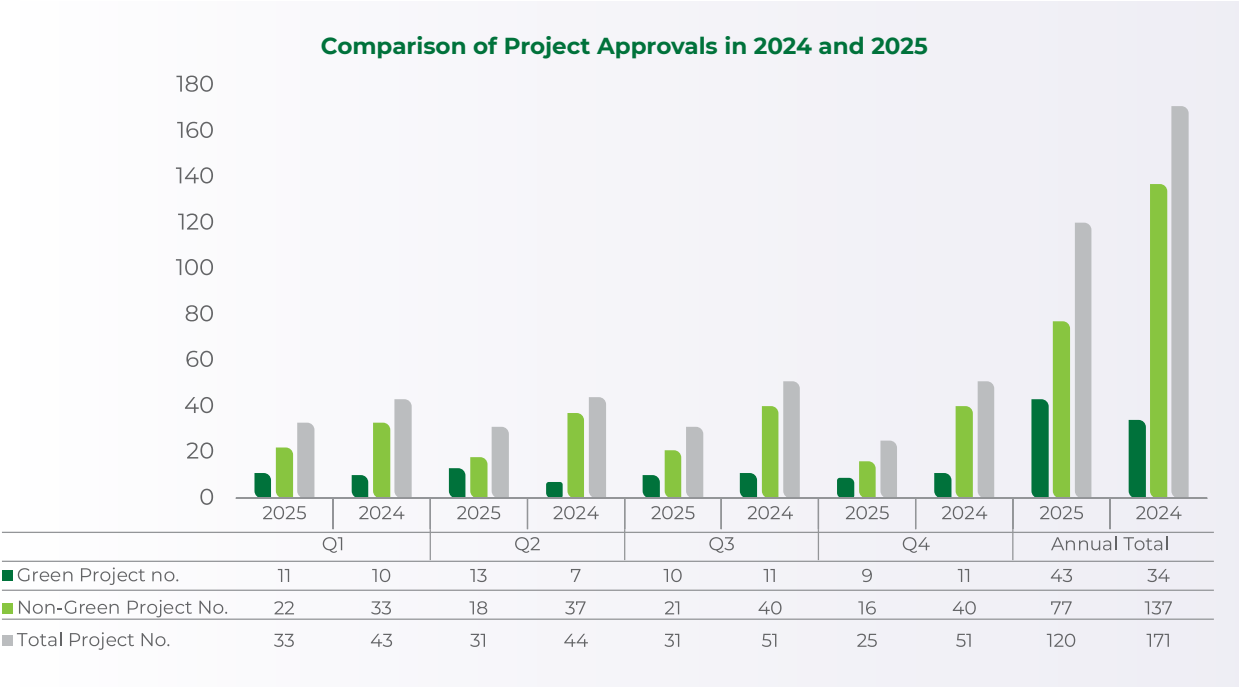
income losses hit the poorest households:

Climate migration projected to rise up to 12 million people by 2050. The most vulnerable are hardest hit, with widespread income losses and rising risks of internal climate migration.

The government of Uganda has adopted ambitious climate frameworks, including its 2022 Updated Nationally Determined Contribution targeting a 24.7% emissions reduction by 2030, expanded adaptation, and the ongoing NDC 3.0 process to strengthen targets and develop bankable projects. The Uganda Development Bank Ltd supports this by directing capital into climate-aligned investments through green finance and its Climate Finance Facility, using concessional and blended finance across key sectors. However, Uganda mobilizes only about 4% of the USD 28.1 billion needed to meet its 2030 climate commitments, underscoring a major financing gap.

Key Green Financing Initiatives in 2025

In 2025, the Bank continued to strengthen its commitment to green and sustainable financing by scaling up climatealigned interventions across priority sectors. During the year, **one hundred twenty (120)** projects were approved by the Bank of which **forty-three (43)** projects (**36%**) was allocated to green initiatives that aligned with climate action, environmental sustainability, and resilience building. This represented a **9%** increase in green project approvals from 2024.



Despite the higher volume of green projects approved, the total credit approved for green projects decreased by **47.9%** from **UGX 46,429 billion** in **2024** to **UGX 24,212 billion** in **2025**. This reduction in value reflects a shift toward smaller but more widespread adaptation-oriented investments, particularly in agricultural resilience and agro-industrial efficiency. Although the percentage of total approvals dedicated to green financing remained modest, 2025 marked significant progress in the number of green projects approved and a structural shift toward adaptation-focused financing.

Table 31: Amounts approved in 2024 and 2025

Quarter	Year	Green Project Amount (UCX Bn)	Non-Green Project Amount (UCX)	Total Approval Amount (UCX)
Q1	2025	1,467,916,000	186,998,793,529	188,466,709,529
	2024	1,823,241,875	63,543,311,878	65,366,553,753
Q2	2025	1,823,241,875	99,050,288,616	100,873,530,491
	2024	40,231,682,975	146,094,111,790	186,325,794,765
Q3	2025	9,530,174,700	35,899,733,542	45,429,908,242
	2024	2,668,975,190	63,612,816,326	66,281,791,516
Q4	2025	11,390,966,674	172,245,840,625	183,636,807,299
	2024	2,668,975,190	63,612,816,326	66,281,791,516
Annual Total	2025	24,212,299,249	494,194,656,312	518,406,955,561
	2024	46,429,048,840	407,935,898,215	454,364,947,055

Sectoral Shifts in Green Investment



Tourism & Hospitality

0%



Climate Smart Agriculture

63%



Climate Resilience Infrastructure

4%



Manufacturing

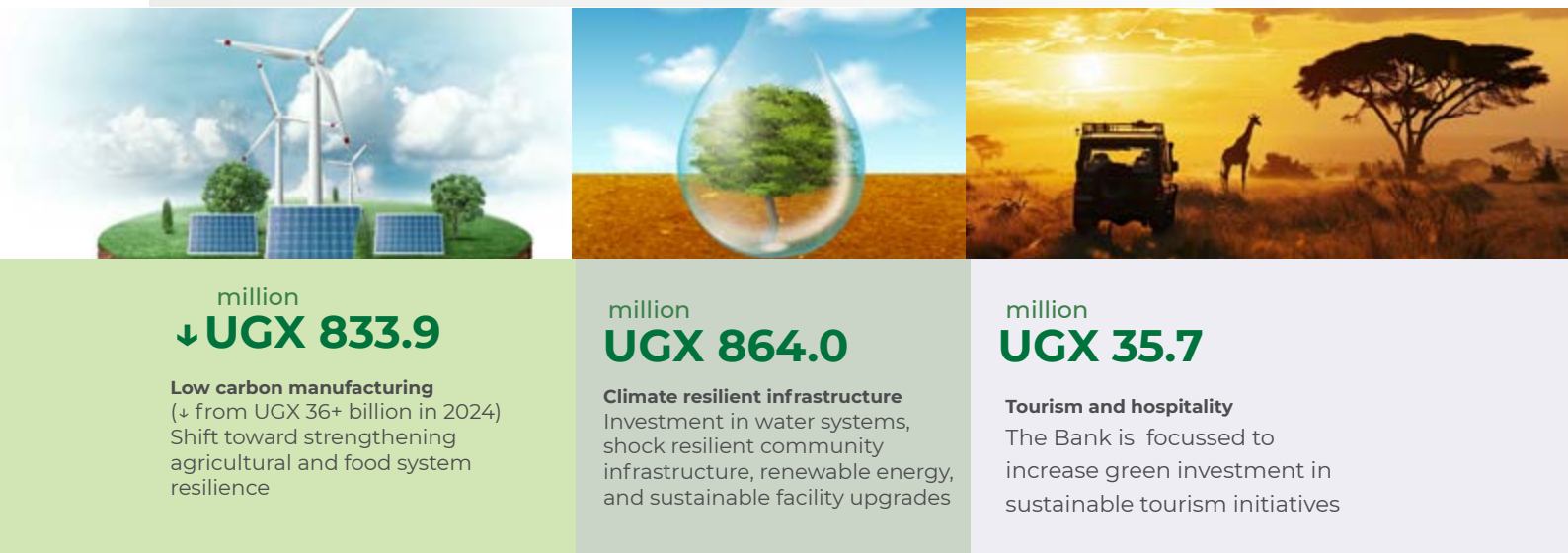
3%



Agro-industrialization

30%

Climate Smart Agriculture (CSA) accounted for the largest share of green financing at **63%**, attracting **UGX 15.3 billion** due to rising demand for climate-resilient inputs, water management systems, and sustainable land-use practices. Agro-industrialization followed with **30%**, receiving **UGX 7.2 billion**, up significantly from 2024, focused on energy-efficient processing, waste-to-resource models, and resource-efficient supply chains.



Adaptation vs. Mitigation Focus

A key trend in 2025 was UDB's strong shift from mitigation-oriented financing toward adaptation-focused interventions. Approximately 90% of all green approvals in 2025 targeted adaptation, with the majority channelled into Climate Smart Agriculture and agro-industrialization, where climate vulnerabilities are most pronounced. This contrasts sharply with 2024, when 81% of green financing was directed toward mitigation initiatives, particularly within low-carbon manufacturing. The 2025 pivot reflects a deliberate strategic response to escalating climate risks—especially in agriculture-dependent regions and demonstrates closer alignment with national priorities aimed at strengthening climate resilience across vulnerable sectors.

Sector	Adaptation (89.89%)		Mitigation (10.1%)	
	Amount	Percentage	Amount	Percentage
Climate Smart Agriculture	14,905,741,534	68.48%	375,514,875	15.34%
Climate Resilience Infrastructure	863,996,000	3.97%	-	0.00%
Agro industrialization	5,889,368,591	27.06%	1,307,997,549	53.45%
Manufacturing	106,000,000	0.49%	727,899,700	29.74%
Tourism & Hospitality	-	0.00%	35,781,000	1.46%
Grand Total	21,765,106,125	100.00%	2,447,193,124	100%

Sector	Intervention	Adaptation	Mitigation	Total (UGX)
Climate Smart Agriculture	Biomass Briquettes		2,160,000	2,160,000
	Improved Cattle Breeds	2,499,368,892		2,499,368,892
	Water Systems Development	662,283,277		662,283,277
	Improved Pasture Establishment	631,809,746		631,809,746
	Irrigation Systems	290,987,894		290,987,894
	Fortified poultry Feeds	1,064,720,000		1,064,720,000
	Vaccines and medicines	94,815,000		94,815,000
	Machinery and equipment	524,450,000	80,427,936	604,877,936
	Silage Bunkers	7,000,000		7,000,000
	Pest Control	45,000,000		45,000,000
	General Farm improvements	743,315,000		743,315,000
	Greenhouse Construction	16,400,600		16,400,600
	Sanitary House (Biosecurity Station)	15,752,625	56,660,500	72,413,125
	Cold storage equipment (Milk Coolers)	255,000,000		255,000,000
	Poultry cage system	120,000,000		120,000,000
	Fertilizer and Manure	7,862,000,000		7,862,000,000
	Storage facilities	60,928,500		60,928,500
	Solar Energy Systems	11,910,000	236,266,439	248,176,439
Climate Resilience Infrastructure	Borehole and well Drilling Machinery	863,996,000		863,996,000
Agro industrialization	Tree Seed (Seed, Nursery and Grafting)		708,700,000	708,700,000
	Cold storage room and Refrigerated Truck	142,818,760		142,818,760
	Fertilizer and Manure	706,050,000		706,050,000
	Irrigation Systems	4,431,163,831		4,431,163,831
	Machinery and equipment	609,336,000		609,336,000
	Solar Systems (Solar Coffee Driers, Water Heaters and Lighting)		49,297,549	49,297,549
	Energy efficient machinery		550,000,000	550,000,000
Manufacturing	Plastic recycling		718,899,700	718,899,700
	Replacement of Wood Fired with Electric Oven systems		9,000,000	9,000,000
	Drainage systems and storm wastewater management	106,000,000		106,000,000
Tourism & Hospitality	Solar Systems		35,781,000	35,781,000
Grand total		21,765,106,125	2,447,193,124	24,212,299,249

Despite a relative decline in green financing value compared to 2024, 2025 represented a transformative milestone for the Bank as a record number of green projects were approved with a strategic focus towards climate adaptation. By significantly expanding its agricultural and agro-industrial climate portfolios while bolstering institutional capacity through updated policies and new partnerships, UDB has solidified its role as a primary driver of Uganda's transition toward a sustainable, low-emission, and climate-resilient economy.



04

STAKEHOLDER RELATIONS

Stakeholder Engagement

Creating Long-Term Value Through Stakeholder Partnerships

Strategic priority: Stakeholder engagement central to sustainable development outcomes	2025 ENHANCEMENTS:
Operating model: Multi-stakeholder ecosystem (Government, investors, customers, partners, employees)	Structured engagement: Embedded mechanisms into strategy execution
Core principle: Strong, transparent & mutually beneficial relationships	Informed decisions: Stakeholder insights integrated into decision-making
	Value creation: Enhanced long-term impact & accountability
KEY OUTCOMES OF ENGAGEMENT:	KEY STAKEHOLDERS:
Trust & credibility: Strengthened institutional reputation	Government of Uganda
Strategic alignment: Linked Bank strategy to stakeholder expectations & national priorities	Development partners
Accountability: Improved transparency & responsiveness	Customers
Risk & opportunity management: Early identification of emerging trends	Investors
	Employees

OVERALL IMPACT:
More responsive to national development needs Better alignment of resources & strategic direction Sustained relevance in a dynamic development landscape

Embedding Stakeholder Intelligence into Strategy

During the year, the Bank used data and insights to sharpen its engagement approach. A key milestone was conducting a comprehensive Brand Health Survey to assess awareness, perceptions, and brand equity among key stakeholders. The findings demonstrated a brand equity score of 86%, positioning UDB as a highly trusted, credible, and development-focused institution. This strong performance reflects sustained stakeholder confidence in the Bank’s mandate, governance, and delivery model. The survey used a rigorous quantitative methodology with face-to-face interviews. It provided actionable insights, now being integrated into the Bank’s communication, stakeholder engagement, and brand positioning strategies. These insights will support more targeted engagement and reinforce UDB’s market relevance in an evolving financial and development landscape.

Reputational risk

UDB applies a robust framework to proactively identify and manage potential reputational threats, ensuring clear visibility of risk exposure and vulnerabilities. The model emphasizes preventive controls, early warning systems, and effective monitoring of risk events, while tracking stakeholder perceptions and their evolution. It aligns with the Bank’s broader risk management processes, including risk profile, appetite, and emerging risks.

Delivering Consistent and Targeted Engagement

The Bank’s stakeholder engagement model is designed for consistency, relevance, and effectiveness across all categories. Engagement channels are tailored to stakeholder needs. The Bank maintains high standards of transparency and accountability.

Strengthening Responsiveness

The Bank continues to enhance its grievance and complaints management systems to ensure responsiveness, fairness, and transparency in all stakeholder interactions. The Bank’s grievance and complaints management systems ensure:

- Timely resolution of stakeholder concerns
- Transparency and accountability in decision-making
- Continuous improvement in service delivery

Feedback mechanisms are built into all engagement channels. This enables the Bank to respond effectively and maintain high stakeholder satisfaction.

A Structured Approach to Stakeholder Engagement

UDB’s stakeholder engagement framework is implemented through the Stakeholder Alignment Management Plan for Sustainability (STAMPS) under the Sustainability Standards and Certification Initiative (SSCI). This framework ensures that stakeholder engagement is systematic, measurable, and aligned with international best practices. Through STAMPS, the Bank has enhanced its ability to:

- Identify and prioritize stakeholder groups based on influence and impact.
- Anticipate and respond to stakeholder expectations promptly.
- Address concerns through structured feedback and root-cause analysis.
- Strengthen institutional learning and continuous improvement.

Stakeholder Group	Strategic Importance	Engagement Approach	Engagement Frequency
Customers	Central to UDB’s development mandate. Their growth drives economic transformation and informs product innovation.	Relationship management, business clinics, investment forums, digital platforms, customer satisfaction surveys, and structured feedback mechanisms.	Continuous
Employees	Critical to execution of strategy and delivery of sustainable performance which are key to maintaining institutional capability.	Employee engagement surveys, internal communication platforms, performance management, training programmes, leadership forums, and knowledge-sharing initiatives.	Continuous
Government of Uganda	Sole shareholder providing strategic direction, policy alignment, and oversight through national development frameworks.	Strategic consultations, policy engagements, formal reporting, participation in national forums, and Annual General Meetings.	Continuous
Development Partners & Investors	Provide capital, technical expertise, and strategic partnerships essential for scaling development impact.	Investor briefings, performance reporting, bilateral engagements, participation in regional and global forums, and annual reporting.	Continuous
Customers	Central to UDB’s development mandate. Their growth drives economic transformation and informs product innovation.	Relationship management, business clinics, investment forums, digital platforms, customer satisfaction surveys, and structured feedback mechanisms.	Continuous
Employees	Critical to execution of strategy and delivery of sustainable performance which are key to maintaining institutional capability.	Employee engagement surveys, internal communication platforms, performance management, training programmes, leadership forums, and knowledge-sharing initiatives.	Continuous

Championing Thought Leadership



H.E. The President of Uganda **Yoweri Kaguta Museveni** (center left) and First Lady and Minister of Education and Sports, **Janet Museveni** (center right), pose for a photo with some of the dignitaries at the opening of the Uganda Development Finance Summit on 1 September, 2025.

Development Finance summit

UDB is proud to have hosted the first ever Development Finance Summit in Uganda. The Inaugural Uganda Development Finance Summit brought together policymakers, financial institutions, development partners, private sector leaders, and innovators to explore strategies for mobilizing finance for sustainable economic growth.

The summit, held on 1 and 2 September 2025 in Kampala, attracted over 500 participants from across the world, reinforcing its position as a premier platform for dialogue on financing development. The event was anchored on the theme **Transforming Africa Through National Development Finance Architecture** with discussions focused on Industrialization, digitalization, agriculture and alternative financing. Keynote addresses, panel sessions, and networking engagements provided actionable insights and fostered partnerships aimed at strengthening Uganda's financial ecosystem. The summit successfully met its objectives of:

Exchanging Best Practices: The Summit provided a platform for dialogue on successful economic growth and transformation strategies, as well as the role of national development banks in catalyzing this.

Strengthening Partnerships and Collaboration: The Summit enhanced collaboration between DFIs and key stakeholders in the public and private sectors to foster sustainable growth and promote impactful and transformative projects.

Policy Recommendations: Actionable recommendations to support the adoption of sustainable development practices were generated in alignment with global goals to ensure that growth is both inclusive and environmentally responsible.

Innovative Financing Solutions: Innovative financial instruments and investment opportunities that can be leveraged to fund development projects across various sectors were explored at the Summit.

Participant feedback was positive, highlighting networking, partnerships, and event organization. The Summit achieved wide reach, strong media visibility, and high online engagement, extending its impact beyond the event. It also laid a solid foundation for continued dialogue and action to unlock financing for Uganda's development.



The Board Chairman Uganda Development Bank, Godfrey Kihuguru (L) joins panelists after one the UDB events at COP30 in Brazil.

Participation in COP30

UDB was the lead sponsor of the Uganda Pavillion at the 30th Conference of the Parties (COP30) to the UN Framework Convention on Climate Change (UNFCCC). This was in partnership with the Ministry of Water and Environment, the focal office for Uganda. While at COP30, the Bank participated

in four types of activities to include: i) Bilateral meetings, ii) Side Events, iii) Panel Discussions, iv), Presentations and brand exposure at pivotal areas within the venue. Other activities included learning experiences from exhibitions organized to showcase the latest and trending climate innovations and technologies presented by other actors as solutions towards climate action.

UDB held 3 side events showcasing flagship projects across renewable energy, climate-smart agriculture, and sustainable waste management. The side events and panel sessions were themed; *Tackling the ever-increasing costs of operation in the manufacturing and tourism sectors through deployment of energy efficient technology, Promoting Sustainable Waste Management in Cities to Combat Carbon Emission and Environmental Degradation and Promoting resilient agricultural practises and Food Systems transformation.*



Dignitaries during the launch of the **Reshaping Industries for a Sustainable Economy (RISE)** Program - March 2025, Kampala.

Launch of RISE

In March, UDB launched the Reshaping Industries for a Sustainable Economy (RISE) Program, an initiative that is expected to transform the way the Bank deploys its resources within the economy. The RISE Program delivers a ground breaking solution to address modern-day challenges, diversify the economy, and establish high-tech, high-value-added, high-income, and truly green businesses and projects. It focuses on developing a sustainable local industrial base through the power of crowds. The RISE platform enables financial institutions to create demand for sustainable finance by turning key societal, economic, and environmental challenges into transformational business opportunities. The launch brought together financial institutions, innovation hubs, agri-tech companies, scientists, the engineering community, tech start-ups, investors, energy tech providers, government agencies and policymakers among others.

2025 Stakeholder Engagement



An 11-member team from the Somalia Development and Reconstruction Bank (SDRB) led by the President and Board Chair Hodan Osman in March 2025 had a benchmarking visit to Uganda Development Bank to for best practices and to further understand and appreciate development banking. UDB is among the leading development bank institution on the African continent.



Uganda Development Bank (UDB) signed a USD 30 million line of credit with the Islamic Corporation for the Development of the Private Sector, part of the Islamic Development Bank Group. The agreement, signed by Patricia Ojangole and Khalid Khalafalla on the sidelines of the ISDB Annual General Meetings, will finance projects in agriculture, industry, services, and infrastructure. It strengthens UDB's efforts to expand affordable, patient capital for private sector growth.

In February 2025, Uganda Development Bank held its Annual Press Briefing in Kasese to present its 2025 performance. The event was officiated by Hon. Godfrey Kabbyanga, the Minister of State for Information, Communication and Technology and National Guidance and attended by Joshua Mwesiga, Director Strategy and Corporate Affairs, among other dignitaries. Hon. Kabbyanga commended the Board, management, and staff for their dedication, underscoring UDB's role in Uganda's economic development and urging the Rwenzori Region to access affordable financing for inclusive growth.



A team from Uganda Development Bank led by the Managing Director, Dr Patricia Ojangole, in April 2025 paid a courtesy visit to Kampala Capital City Authority (KCCA). Both institutions explored potential opportunities for partnership and/or collaboration in implementing key projects to transform the Greater Kampala.



In June 2025, Uganda Development Bank (UDB) held its AGM in Kampala, announcing 2024 results with strong development impact, institutional growth, and a 3.26% return on assets. The meeting was presided over by Minister of Finance, Hon. Matia Kasaija



Uganda and BADEA signed two major loan agreements worth USD 150 million, with USD 100 million channelled through the Uganda Development Bank to support key sectors, including agro-processing, infrastructure, manufacturing, health, and education. This milestone, signed at the TDB Group Board of Governors Meeting in Kigali, deepens a partnership dating back to 1985 and signals continued confidence in UDB's catalytic role in Uganda's economic growth.



Dr. Patricia Ojangole, was elected the Chairperson Association of African Development Finance Institutions (AADFI) during the 51st Ordinary General Assembly held in May 2025, in Abidjan, Côte d'Ivoire. With a distinguished tenure as AADFI's 1st Vice Chairperson from 2019 to 2025, Dr. Ojangole brings a wealth of experience, strategic insight, and a strong commitment to inclusive growth. Her election is not only a recognition of her outstanding leadership but also a historic milestone; she becomes the first woman to hold the Chairperson role since the Association's inception.

Tooro Kingdom Courtesy Visit. Exploring opportunities, particularly in the areas of tourism and education. Exchanging ideas around creating a Tooro Tourism Circuit and enhancing education through skilling. 8th April 2025



The Director of Public Health, Dr. Daniel Kyabayinze (2nd R) flags off Deseret Microhaem Pharmaceuticals first consignment of Malaria/HIV testing kits in February 2025. Uganda Development Bank supported the project with financing, to establish Sub-Saharan Africa's first local diagnostic kit plant, with the aim of boosting local manufacturing of Pharmaceutical products and reducing import dependency.



In February 2025, Yoweri Kaguta Museveni commissioned Piston Medical Factory, a UDB-funded project in Namunve Industrial Park. The plant will produce essential hospital solutions Large Volume Parenterals (LVPs) and Small Volume Parenterals (SVPs) for a regional market currently reliant on \$78 million in imports. The President commended UDB and its Managing Director for advancing the Bank's mandate.



PARTNERSHIPS FOR IMPACT

Funding Partners



Strategic Partners

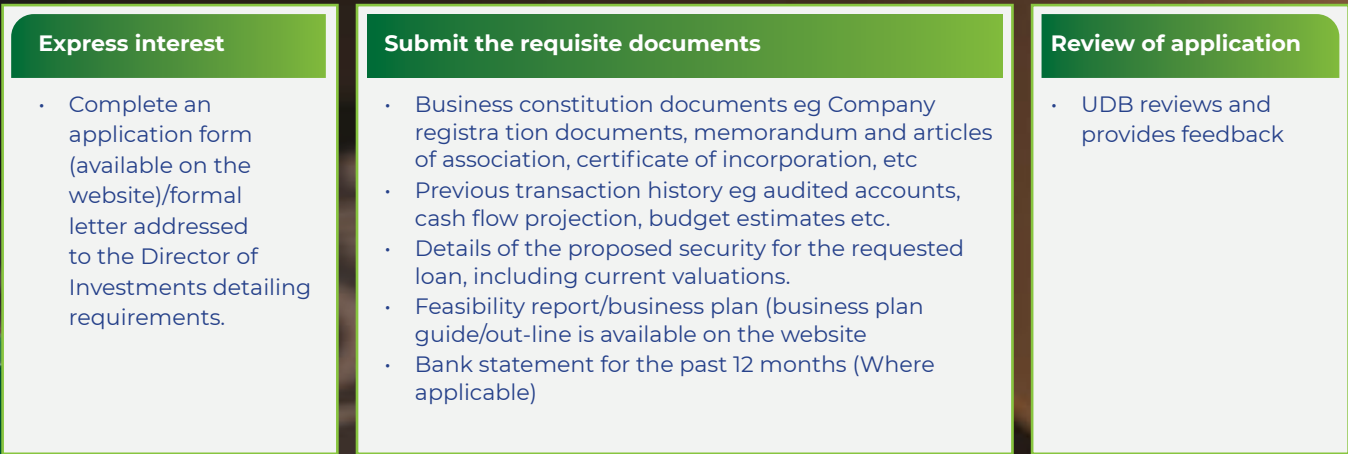


DRIVING DEVELOPMENT IMPACT THROUGH CUSTOMER EXPERIENCE

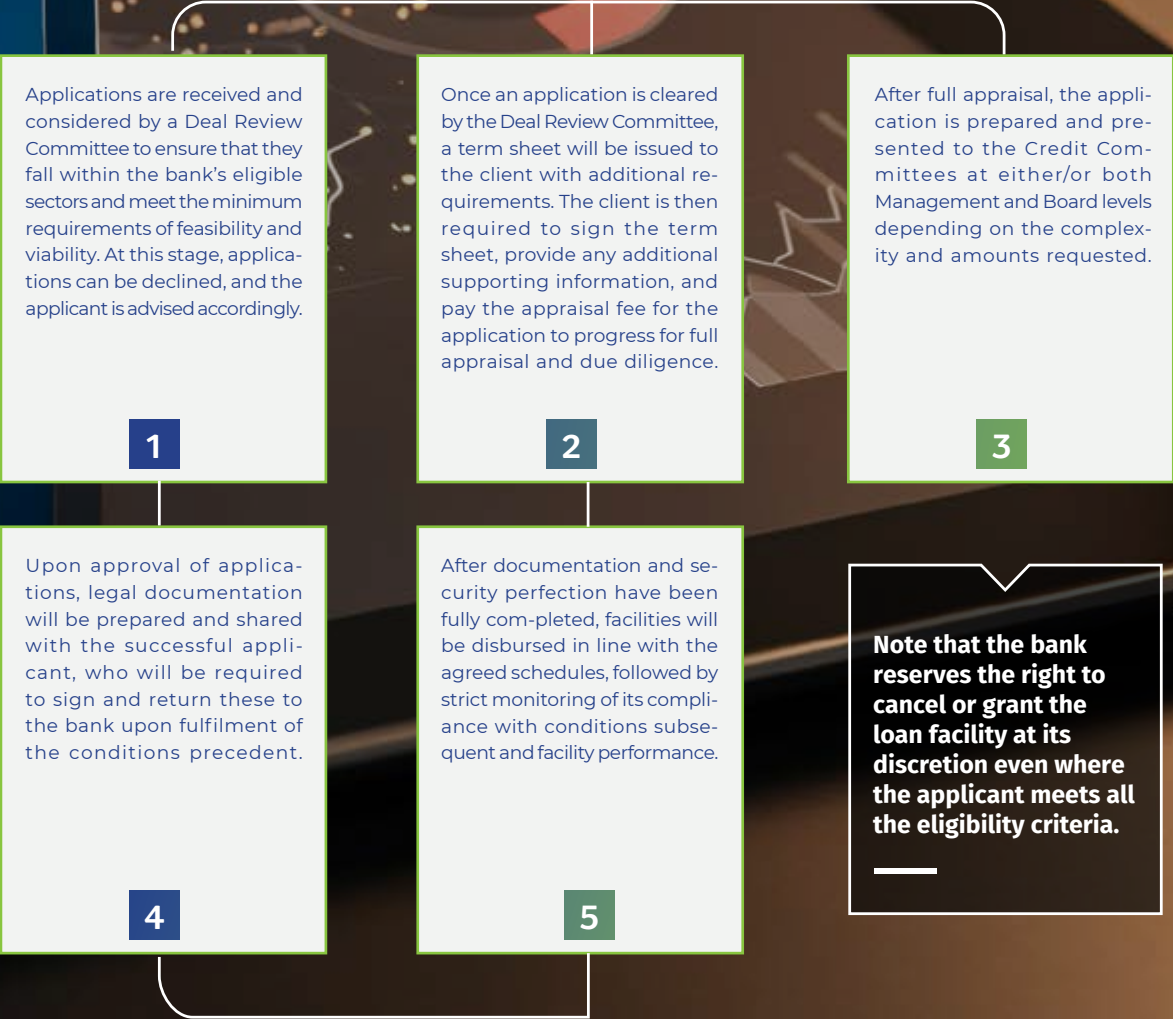
Delivering meaningful development impact is at the core of our mandate, with customer experience serving as a key enabler of this commitment. During the year, we strengthened how we engage, support and respond to our clients, with a focus on accessibility, responsiveness, and service efficiency across all touchpoints.



UDB LOAN Application process



Application Review process



Our People:

The Driving Force Behind Impact

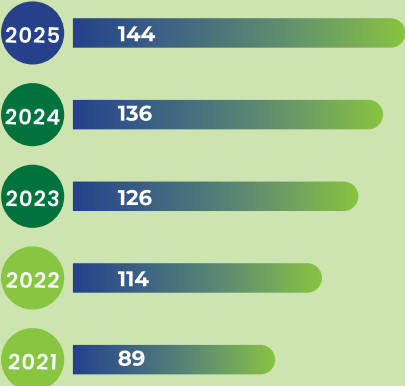
12.8% CAGR in employee headcount over 5 years

Our people remain central to the Bank's success and a key enabler of disciplined strategy execution. Over the past five years, the Bank has maintained measured workforce growth, expanding staff numbers by a CAGR of **12.8%** to match the growth in the Bank size and scale of operations.

We continue to deliberately attract high-calibre, forward-thinking professionals and invest in their continuous learning and capability enhancement to strengthen institutional effectiveness and sustain high performance across the Bank.

Grounded in a balanced blend of professional maturity, technical expertise and innovation, the Bank's demographic profile positions UDB to effectively deliver on its complex development finance mandate while remaining responsive to an evolving operating environment.

Employee Headcount 2021-2025



Gender Split

46% Female **54%** Male

Our Employee Value Proposition is founded on five strategic pillars:

- 1. A Clear and Purpose-Driven Organizational Philosophy:** The Bank fosters a values-driven culture anchored on service, innovation, and national impact. Employees are united by a shared purpose of advancing Uganda's socio-economic transformation through sustainable development finance.
- 2. Competitive and Equitable Total Rewards:** UDB maintains a market-aligned and performance-driven total rewards framework designed to attract, motivate, and retain top talent while recognising individual contribution, capability, and evolving institutional needs.
- 3. An Inclusive and High-Performance Culture:** The Bank promotes a respectful, collaborative, and empowering work environment where diverse perspectives are valued, employee engagement is encouraged, and accountability and excellence are embedded in the organizational culture.
- 4. Continuous Learning and Capability Development:** As a development-oriented institution, UDB continues to invest in building deep technical and leadership capability through structured learning, strategic assignments, and exposure opportunities that strengthen institutional effectiveness and innovation.
- 5. Structured Career Growth and Leadership Development:** The Bank's talent management approach prioritises internal growth, succession development, and leadership continuity through targeted development programmes, career mobility, and opportunities for progression across the institution.

Through deliberate investment in these areas, in alignment with the Bank's Human Capital Alignment Plan for Sustainability (HUCAPS), UDB continues to strengthen institutional capability, enhance employee engagement, and sustain a resilient and future-ready workforce aligned to its development mandate.

Our Employee Value Proposition (EVP)

UDB's Employee Value Proposition is anchored on attracting, developing, and retaining high-calibre talent to deliver transformative impact in Uganda's development landscape.

As the national DFI, the Bank offers a purpose-driven environment that empowers employees to contribute to Uganda's socio-economic transformation.



A staff member takes a blood test during the HR Clinic.



The onsite lactation and nursery facility.

Holistic Wellness

The Bank adopts a comprehensive approach to employee wellbeing, recognising wellness as a critical enabler of sustained performance and organizational resilience. Through the Employee Assistance Programme (EAP), employees and their families are supported with structured psychosocial services that promote mental and emotional wellbeing.

This is complemented by the HR Clinic initiative, which delivers targeted interventions across key dimensions of wellbeing, including physical health, mental wellness, financial resilience, nutrition, and work-life integration, thereby equipping employees

with practical tools to better manage and sustain overall wellbeing.

In addition, the Bank has invested in enabling workplace infrastructure that reinforces its holistic wellness agenda. The onsite gym promotes physical fitness, wellbeing, and informal staff interaction, while an onsite nursery and lactation facility provides a safe, private, and dignified space for nursing mothers, strengthening support for working parents and advancing an inclusive work environment. Collectively, these interventions reinforce the Bank's commitment to a healthy, engaged, and high-performing workforce.



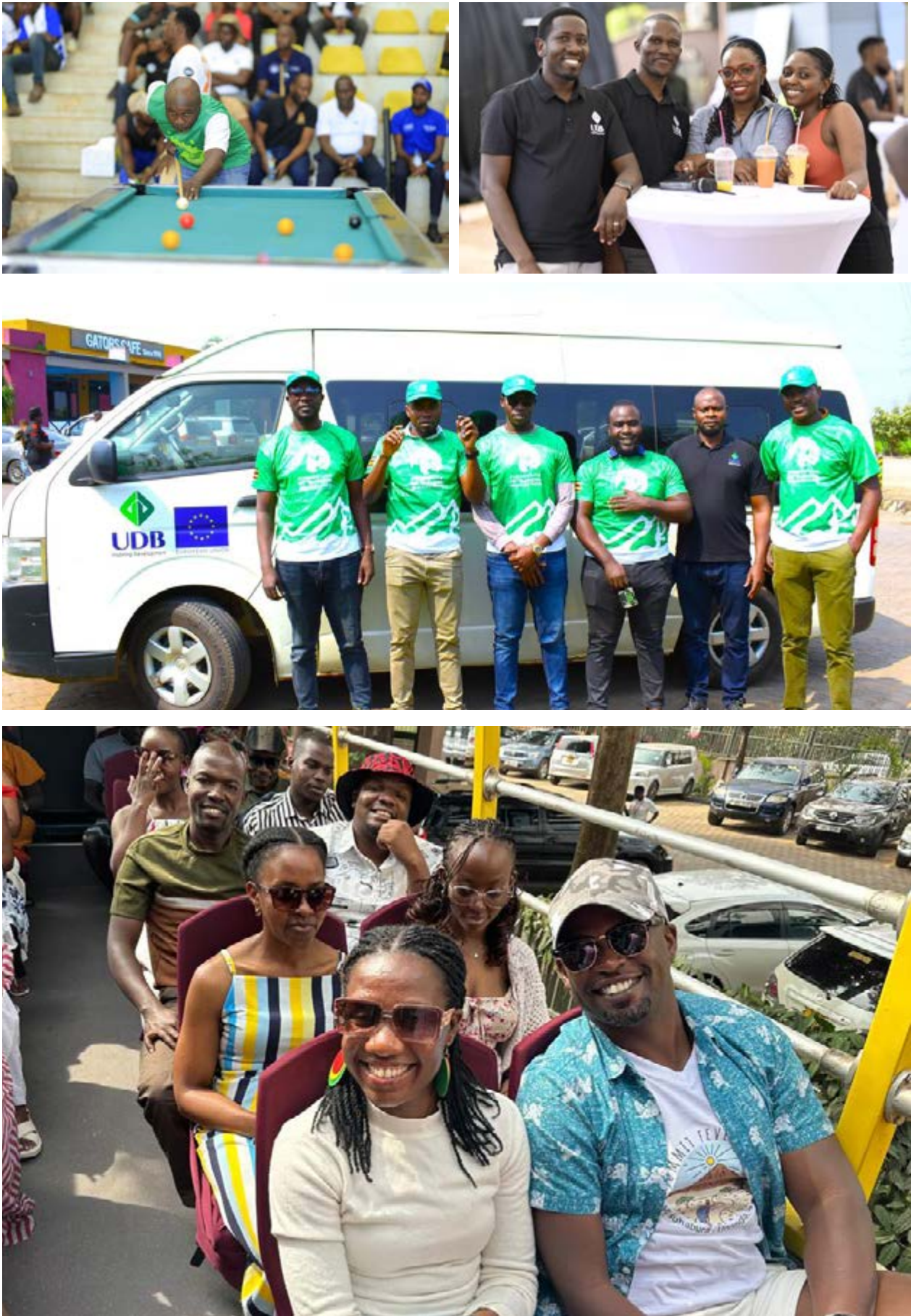
UDB staff in a gym session during the opening of the onsite gym



The Employee Voice

Through various feedback mechanisms, including employee engagement surveys, stay interviews, ongoing mentorship engagements, integrated 360-degree evaluations, and other continuous feedback channels, the Bank actively monitors employee experience and institutional wellbeing. Insights from these engagements are used to proactively strengthen policies and practices, and to shape workplace initiatives that promote an inclusive and people-centered work environment.

2025 through THE LENS



UDB Staff attending various Bank activities

CELEBRATING INNOVATION:

Winners of the Innovation Challenge pose for photos with members of management, following the recognition ceremony.



Top: Next Gen Innovators - the winners **Middle Left:** Ideation Ninjas - 1st Runners up **Middle right:** Gen-Ds - 2nd Runners up **Bottom:** The Uvumbuzi Innovation Group pitches their innovation idea to a panel of external Judges



5 FINANCIAL SUSTAINABILITY



Financial Sustainability

Introduction

As a Bank operating within the Ugandan economy and whose mandate is pivotal in promoting socio-economic development in this country, we must ensure that we operate sustainably. This will, therefore, allow us to pay dividends to our shareholders, salaries to our employees, tax to the Ugandan government as well as support local businesses through the procurement of goods and services.

Below is the Bank's value-added statement which indicates the wealth that UDB creates through its activities for our key stakeholders, being the shareholder, employees, development partners and suppliers. It also illustrates how much we re-invest for future growth. The value-added is calculated as the Bank's revenue performance minus payments such as cost of services, depreciation and amortization. The resulting amount is distributed to the stakeholders who include employees, shareholders, community investments and government.

For a detailed discussion on the Bank's financial performance, please refer to the financial review on page 72 of this annual report.

Table 32: Financial Highlights At A Glance

Key Indicator	2025	2024	Change
Profit Before Tax (Ugx billion)	91.6	73.2	25.2%
Profit After Tax (Ugx billion)	63.4	57.8	9.7%
Total Assets (Ugx trillion)	2.26	1.8	27.0%
Gross Loans & Advances (Ugx trillion)	1.77	1.6	7.7%
Net Loans & Advances (Ugx trillion)	1.63	1.5	6.6%
Net Interest Income (Ugx billion)	164.4	147.0	11.9%
Total Equity (Ugx trillion)	1.89	1.5	24.8%
New Disbursements (Ugx billion)	502.2	388.7	64.6%
Net Impairment Charge (Ugx billion)	18.5	24.0	+23.0%▼
New Funding - Capitalization + Borrowings (Ugx billion)	441.7	80.7	▲446.8%
Cost-to-Income Ratio (with impairment)	44.3%	49.3%	▲ Improved
Return on Assets	3.1%	3.3%	-
Return on Equity	3.7%	3.9%	-

Table 33: The total wealth created by the Bank in 2025

	2025	2024	%
Interest income	174,109,364	157,317,442	
Interest expense	-9,663,817	-10,298,526	
Wealth created from operations	164,445,547	147,018,916	
Foreign exchange losses	-1,623,169	-3,299,882	
Other income	1,653,899	632,647	
Total wealth created	164,476,277	144,351,681	100
Distribution of wealth			
Retained for growth	63,417,156	57,816,620	39
Employees	32,277,378	29,363,504	20
Government	28,228,931	15,375,545	17
Suppliers	18,812,359	16,037,568	11
Impairment loss on financial assets	18,485,865	24,004,414	11
Depreciation and amortization	3,254,588	1,754,030	2
Total wealth distributed	164,476,277	144,351,681	100

Financial Performance Overview

Table 34: Five-year extract from the Bank’s annual financial statements

Financial Statistics	2025	2024	2023	2022	2021
Statement of Comprehensive Income					
Gross Interest on loans	174,109	157,317	156,225	123,403	112,915
Net Interest and fee Income	164,446	147,019	142,746	117,456	109,256
Net impairment loss on financial assets	(18,486)	(24,004)	(28,503)	(25,087)	(23,606)
Net Non-Interest Income/(loss)	31	(2,667)	2,002	11,711	(1,367)
Operating expenses	(54,344)	(47,155)	(44,229)	(38,913)	(26,730)
Profit before tax	91,646	73,192	72,016	65,166	57,553
Profit after tax	63,417	57,817	49,804	42,565	39,772
Statement of Financial Position					
Net Loans and advances	1,633,713	1,532,449	1,470,100	1,220,891	781,658
Balances with other banks	464,327	104,512	86,457	220,401	375,375
Investment properties	-	-	-	31,171	32,089
Total assets	2,264,143	1,782,188	1,666,731	1,520,119	1,222,101
Capital and reserves	1,886,700	1,512,067	1,375,870	1,228,752	1,055,075
Total liabilities	376,227	270,121	290,861	291,366	167,026
Statement of cash flow					
Cash flow used in operating activities	(29,696)	17,006	(217,933)	(379,463)	(230,308)
Net cash (used in)/generated from investing activities	(14,435)	(29,538)	(21,531)	196,005	54,333
Net cash generated from financing activitiesv	404,060	30,838	105,601	220,674	88,129
Key financial ratios					
Yield on interest earning instruments	9.4%	9.90%	10.76%	10.00%	11.23%
Net interest margin	94.4%	93.45%	91.37%	95.18%	96.76%
Cost income ratio (without impairment)	33.0%	32.7%	31%	30%	25%
Cost income ratio (with impairment)	44.3%	49.3%	50%	50%	47%
Return on assets	3.1%	3.26%	3.13%	3.10%	3.44%
Return on equity	3.7%	3.89%	3.82%	3.73%	4.05%
Loan impairment ratio	7.0%	6.25%	6.78%	5.60%	6.60%
Debt equity ratio	16.9%	13.8%	17.1%	19%	12%

The Bank delivered an exceptional financial performance in 2025, recording a profit before tax of Ugx 91.6 billion that increased by 25.2% from the Ugx 73.2 billion achieved in 2024. Profit for the year grew by 9.7% to Ugx 63.4 billion (2024: Ugx 57.8 billion), reflecting the sustained deployment of capital towards interest-earning assets and the Bank’s sharpened focus on portfolio quality. The significant capital injection of Ugx 311.2 billion from the Government of Uganda in 2025, alongside the conversion of prior contributions into issued share capital, strengthened the Bank’s capacity to deliver its development finance mandate and catalyse socio-economic development.

The Bank, continued to harness technology to enhance operational efficiency, strengthen credit appraisal and improve service delivery. These investments enabled the Bank to allocate resources more effectively toward priority sectors including SMEs, youth and women-led enterprises, agro-industrialization, and infrastructure projects. The

drawdown of new lines of credit from international development finance partners totalling Ugx 130.5 billion further strengthened the Bank’s lending capacity, while a disciplined approach to cost management ensured that overall profitability improved materially.

Ensuring Financial Sustainability

Interest and fee Income

The Bank generates its core revenue primarily through interest and fees from loans and short-term investments. In 2025, gross interest and fee income grew by Ugx 16.8 billion (10.7%) to Ugx 174.1 billion, up from Ugx 157.3 billion in 2024. This growth was driven by a 7.7% increase in gross loans and advances, supported by the significant capital injection received from the Government of Uganda and the successful drawdown of new lines of credit from development finance partners totalling Ugx 130.5 billion which substantially increased the Bank’s funding base.

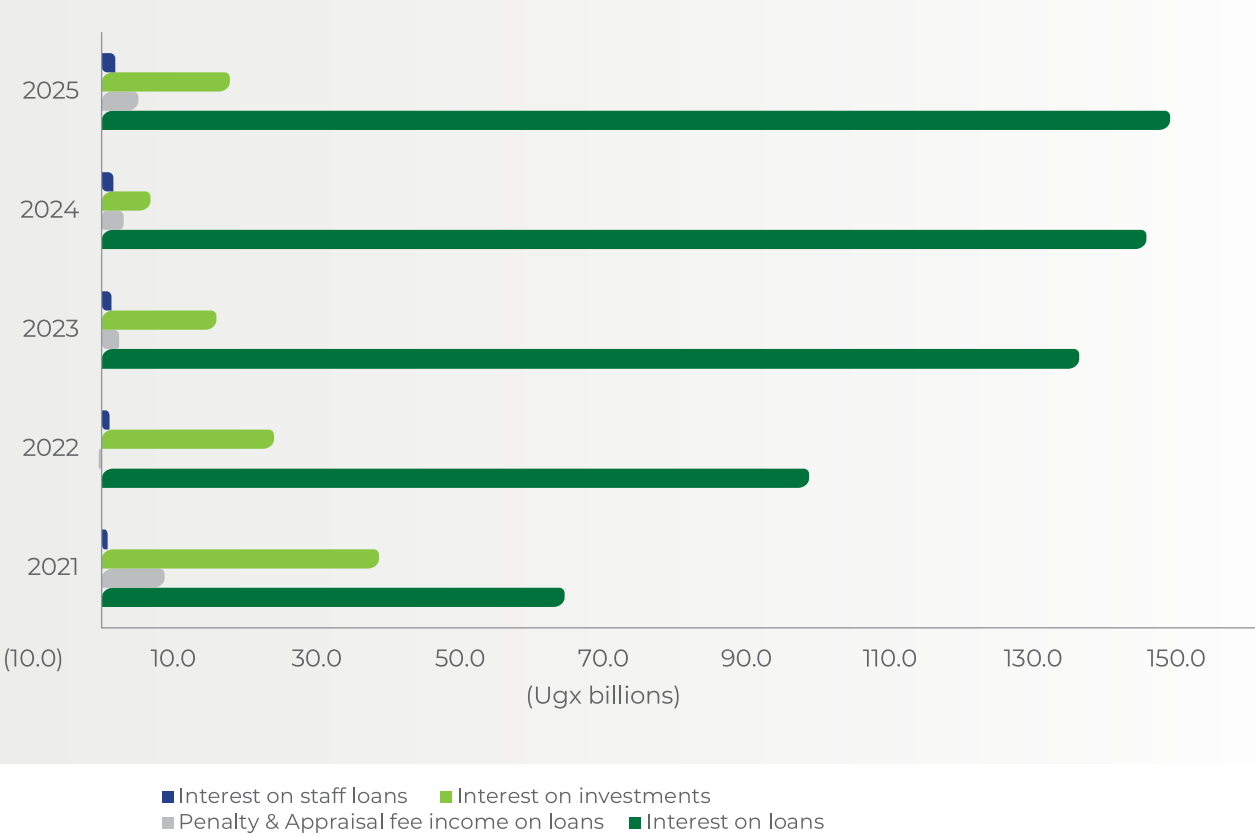
Interest expense declined by 6.2% year-on-year (YOY) from Ugx 10.3 billion in 2024 to Ugx 9.7 billion in 2025, notwithstanding the drawdown of Ugx 130.5 billion in new borrowings during the year. This continued reduction is driven by the Bank’s focus on sourcing concessional funding from multilateral and bilateral development finance partners at favourable rates and repayments of borrowings. Net interest income consequently rose by 11.9% to Ugx 164.4 billion (2024: Ugx 147.0 billion).

Total Interest Income (shs billion)

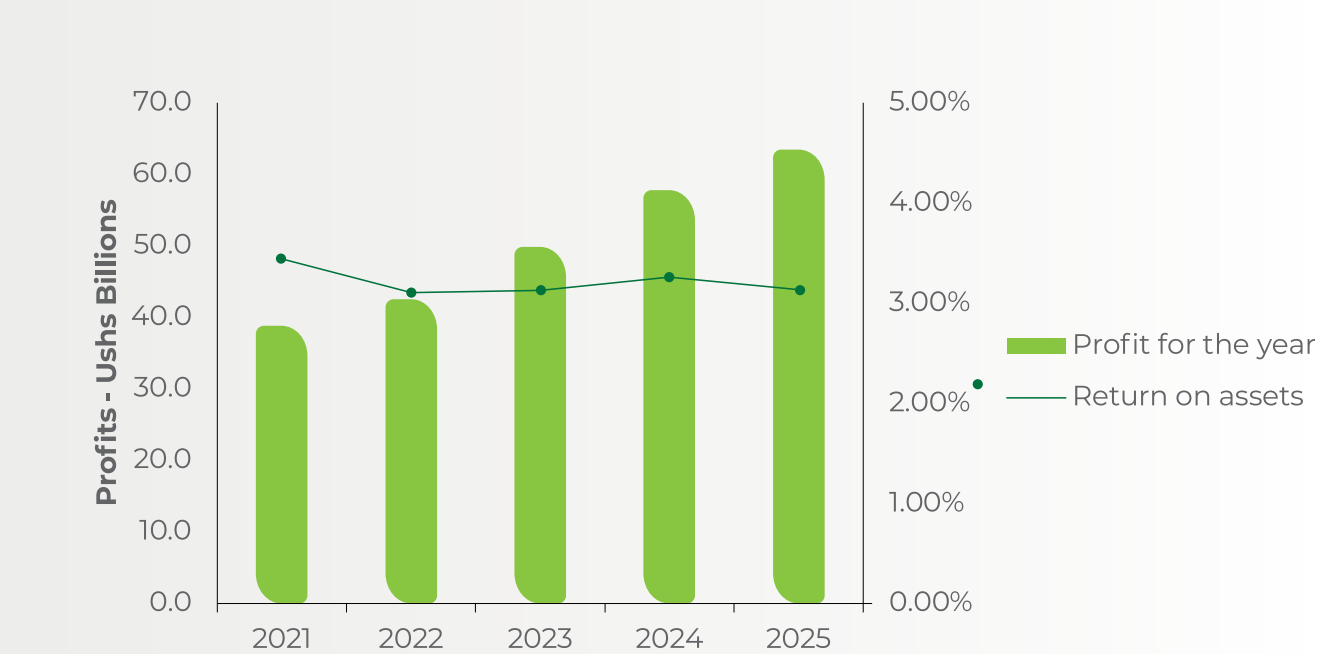


The Bank delivered strong financial performance in 2025, with profit before tax rising 25.2% to UGX 91.6 billion, up from UGX 73.2 billion in 2024.

Interest and Similar Income (Ugx billion)



Profitability



Other Income

The Bank recorded a modest net non-interest income of Ugx 31 million in 2025, from the net non-interest loss of Ugx 2.7 billion in 2024. Other income more than doubled to Ugx 1.7 billion (2024: Ugx 633 million), driven by increased fee-based and ancillary income streams. Foreign exchange losses decreased

significantly to Ugx 1.6 billion (2024: Ugx 3.3 billion), arising from improvement in the management of the Bank's foreign currency exposures, particularly amid continued volatility in the Uganda Shilling against key trading currencies.

Net Impairment Loss and write off of loans and advances

The net impairment loss on financial assets declined by 23.0% to UGX 18.5 billion (2024: UGX 24.0 billion), driven by improved credit risk management, enhanced credit monitoring and recovery efforts,

and the unwinding of prior-year modification losses. The loan impairment ratio increased to 7.0% (2024: 6.25%) due to higher ECL provisioning on a larger and more seasoned loan portfolio.

Operating expenses

Total operating expenses increased by 15.2% to Ugx 54.3 billion in 2025 from Ugx 47.2 billion in 2024, driven by business expansion, higher activity levels, and continued investment in operational infrastructure. Personnel costs rose by 9.9% to Ugx 32.3 billion due to increased headcount, staff engagement, and capacity-building initiatives, while other operating expenses grew to Ugx 18.8 billion (2024: Ugx 16.0 billion), due to higher professional and advisory costs, technology investments, and

stakeholder engagement activities. Depreciation and amortization increased to Ugx 3.3 billion (2024: Ugx 1.8 billion), mainly due to asset capitalization and infrastructure investments. Despite these cost increases, efficiency improved, with the cost-to-income ratio (with impairment) declining to 44.3% from 49.3%, while the ratio excluding impairment remained stable at 33.0% (2024: 32.7%) because of cost discipline alongside strong revenue growth

Strengthening the Financial Position of The Bank

The Bank's total assets grew significantly by 27.0%, to Ugx 2.26 trillion in 2025 from Ugx 1.78 trillion in 2024. This strong balance sheet growth was driven by capital injection from the Government of Uganda, new drawdowns from international development finance partners, and the accumulation of retained earnings. The sections below provide a detailed analysis of the Bank's key assets and liabilities and their impact on overall financial performance.

Borrowings from development partners

Borrowings consist of credit lines sourced from Development Finance Institutions (DFIs) to support the Bank's developmental mandate. In 2025, the Bank successfully activated its funding pipeline, drawing down Ugx 130.5 billion in new borrowings from multilateral and bilateral partners including the Islamic Corporation for Development of the Private Sector (ICD) and the European Investment Bank (EIB), both of which were new lenders to the Bank in 2025. Total borrowings grew by 59.5% to Ugx

258.0 billion (2024: Ugx 161.8 billion), demonstrating the Bank's improved credibility with international development partners. These new lines position the Bank well to scale up lending to priority sectors in the medium term, alongside existing facilities from Arab Bank for Economic Development in Africa (BADEA), OPEC Fund for International Development (OFID), African Development Bank (AfDB), India Exim Bank and the Islamic Development Bank (IDB).

Government of Uganda capital contribution

The Government of Uganda supported the Bank in 2025, with fresh capital contributions of Ugx 311.2 billion received during the year. In addition, the shareholders approved the conversion of Ugx 328.7 billion of accumulated capital contributions into issued share capital, bringing the Bank's total issued share capital to Ugx 1.21 trillion by year-end (2024: Ugx 878.4 billion). Total equity (capital and reserves) consequently rose by 24.8% to

Ugx 1.89 trillion, up from Ugx 1.51 trillion in 2024. The substantial capitalization underscores the Government's unwavering commitment to UDB's strategic mandate and reinforces the Bank's capacity to deepen development financing across priority sectors. The Kuwait Special Fund also increased to Ugx 37.7 billion (2024: Ugx 36.7 billion), further diversifying the Bank's capital base.

Retained earnings

The Bank's retained earnings grew by 23.3% to Ugx 330.5 billion in 2025, up from Ugx 268.0 billion in 2024 arising from the net profit of Ugx 63.4 billion generated during the year. Retained earnings now

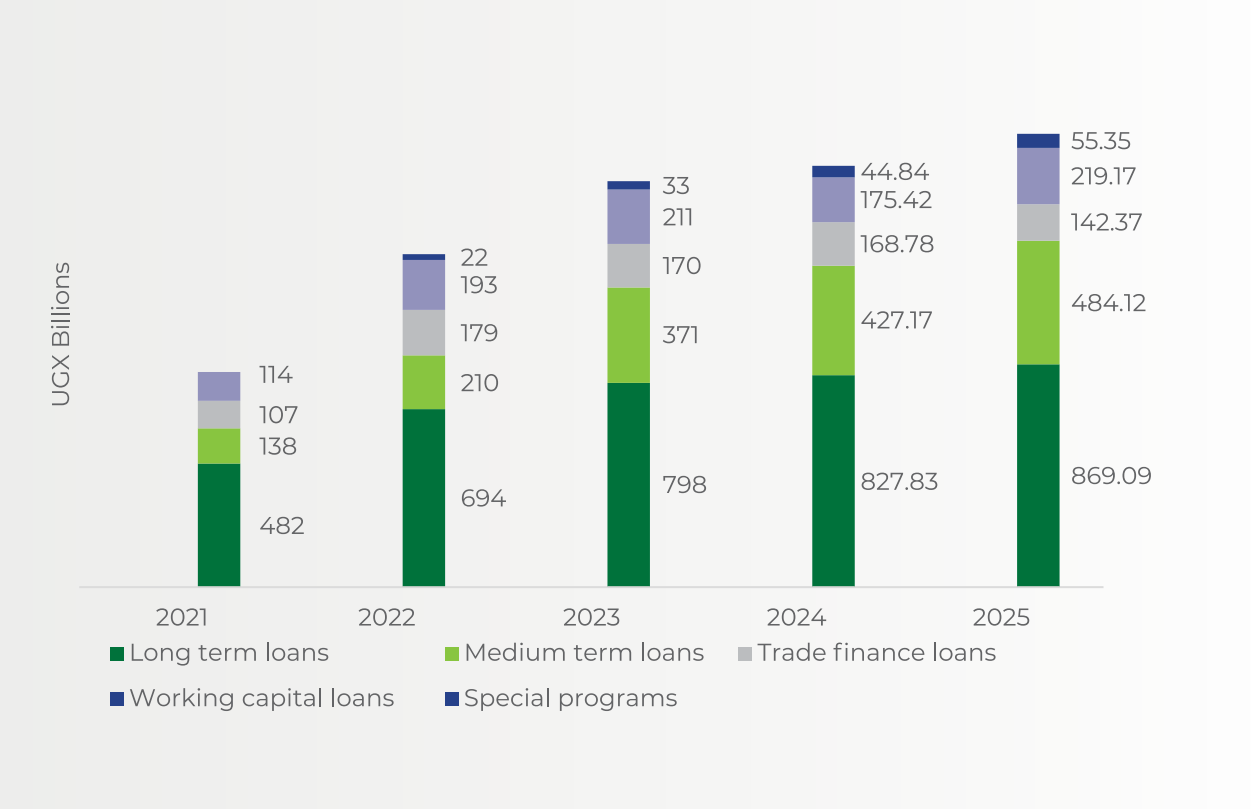
constitute a significant component of the Bank's equity base, reinforcing its internal capital adequacy and financial resilience as it continues to scale up its development finance activities.

Gross Loans and Advances

Gross loans and advances grew by 7.7% to Ugx 1.77 trillion in 2025, up from Ugx 1.64 trillion in 2024. Ugx 502.21 billion was disbursed to projects during the year across key priority sectors (2024: Ugx 388.7 billion). The 29.2% increase in disbursements arises from the available funding received during the year from development partners and the Government

of Uganda. Net loans and advances stood at Ugx 1.63 trillion (2024: Ugx 1.53 trillion) after accounting for ECL provisions of Ugx 115.6 billion. The growth in the Bank's funding base, healthy reflows from maturing facilities and strong profitability collectively supported the sustained expansion of the loan portfolio.

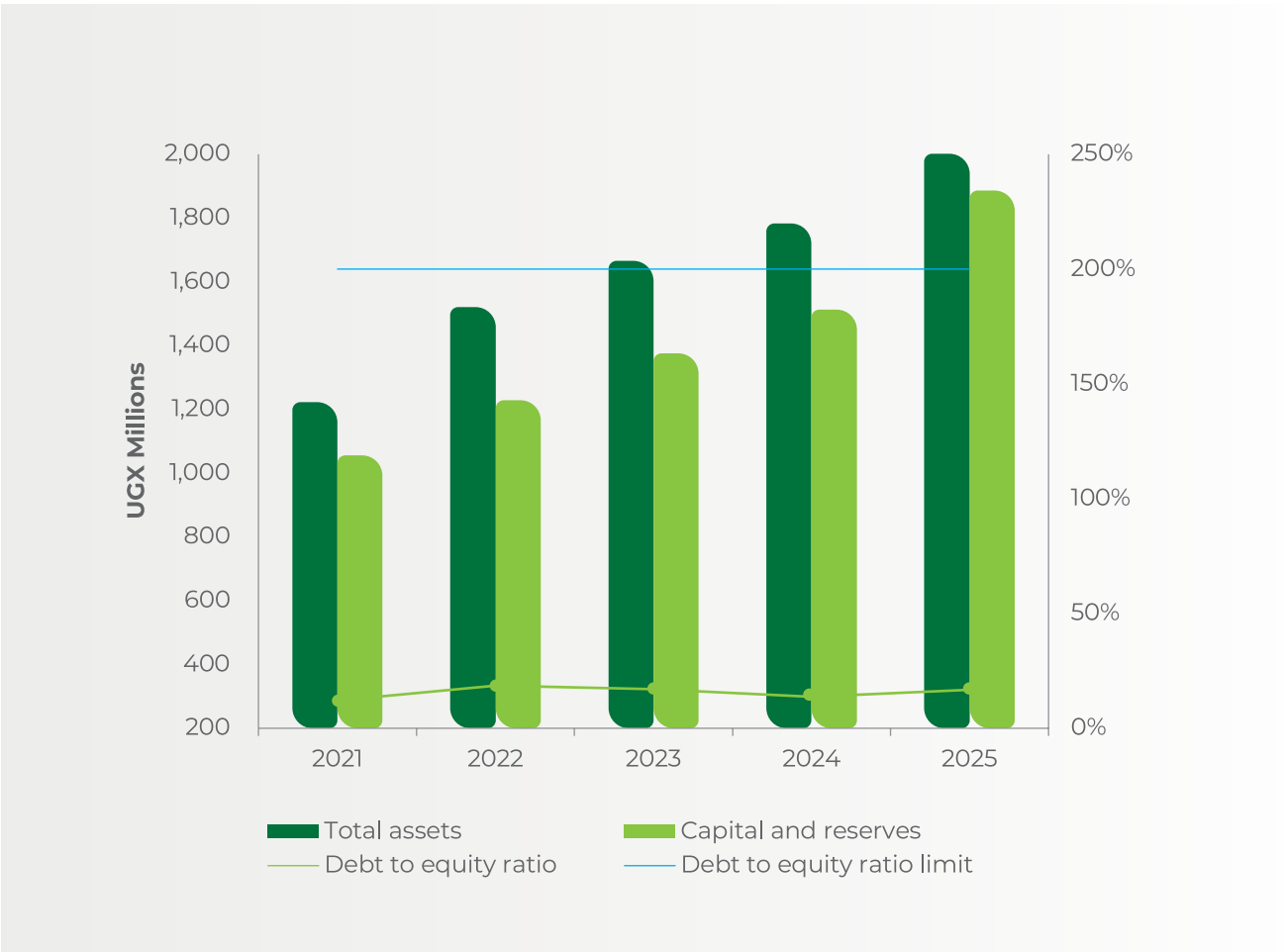
Loan portfolio growth



Gross loans vs loan impairment



Balance sheet growth vs debt/equity ratio



FINANCIAL STATEMENTS

UGANDA DEVELOPMENT BANK LIMITED

ANNUAL REPORT AND
AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2025

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CORPORATE INFORMATION

DIRECTORS

The directors who held office during the year and to the date of this report were:

Name	Designation
Mr. Geoffrey T. Kihuguru	Chairperson effective 02 January 2025
Mr. Felix Okoboi	Directorship lapsed on 02 January 2025
Dr. Patricia Ojangole	Managing Director
Mr. Francis Tumuheirwe	Directorship lapsed on 02 January 2025
Mrs. Rita Akot Apell	Director lapsed on 10 July 2025
Mr. Busulwa Kayongo	Director
Dr. Albert Richards Otete	Director
Dr. Bob Bonabo Munene	Director
Dr. Theodora Twongyirwe Mondo	Director effective 02 January 2025
Assoc. Prof. Rachel Mindra Katoroogo	Director effective 10 July 2025

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Plot 22, Hannington Road
P. O. Box 7210
Kampala, Uganda

COMPANY SECRETARY

Mrs. Sophie K. Nakandi
Uganda Development Bank Limited
Plot 22, Hannington Road
P. O. Box 7210
Kampala, Uganda

BANKERS

dfcu Bank Limited
26 Kyadondo Road, Nakasero
P. O. Box 70
Kampala, Uganda

Standard Chartered Bank Uganda Limited
5 Speke Road
P. O. Box 7111
Kampala, Uganda

Housing Finance Bank Uganda Limited
2-4 Wampewo Avenue
P. O. Box 1539
Kampala, Uganda

Centenary Bank Uganda Limited
2 Burton Street
P. O. Box 1892
Kampala, Uganda

Citibank Uganda Limited
4 Ternan Avenue, Nakasero
P. O. Box 7505
Kampala, Uganda

NCBA Bank Uganda Limited
1st Floor, Rwenzori Towers, Nakasero
P. O. Box 28707
Kampala, Uganda

Absa Bank Uganda Limited
2 Hannington Road
P. O. Box 7101
Kampala, Uganda

Post Bank Uganda Limited
4/6 Nkurumah Road
P. O. Box 7189
Kampala, Uganda

AUDITORS

Auditor General
Government of Uganda
P. O. Box 7083
Kampala, Uganda

DELEGATED AUDITORS

Ernst & Young
Certified Public Accountants of Uganda
EY House
Plot 18, Clement Hill Road
Shimoni Office Village
P. O. Box 7215
Kampala, Uganda

LEGAL ADVISORS

J.B. Byamugisha Advocates
2nd Floor, EADB Building,
4 Nile Avenue
P. O. Box 9400
Kampala, Uganda

H & G Advocates
29A Lumumba Avenue
P. O. Box 7026
Kampala, Uganda

Nangwala, Rezida and Co. Advocates
Suite 3B, 9, 3rd Floor Yusuf Lule Road
P. O. Box 10304
Kampala, Uganda

Ligomarc Advocates
5th Floor, Western Wing, Social Security House
4 Jinja Road
P. O. Box 8230
Kampala, Uganda

Kalenge, Bwanika, Kisubi Advocates (KBK)
30 Lumumba Avenue
P. O. Box 8352
Kampala, Uganda

Sebalu & Lule Advocates
S&L Chambers
14 MacKinnon Road
P. O. Box 2255
Kampala, Uganda

K & K Advocates
5A K & Chambers
Acacia Avenue
P. O. Box 6061
Kampala, Uganda

CITADEL Advocates
Trust Tower, 9th Floor
4 Kyadondo Road, Nakasero
P. O. Box 11070
Kampala, Uganda

OSH Advocates
2nd Floor, West wing, Commercial Plaza
P. O. Box 36109
Kampala, Uganda

ENSafrica Advocates
1st Floor, Rwenzori Towers
6 Nakasero Road, Nakasero
P. O. Box 11335
Kampala, Uganda

The directors submit their report together with the audited financial statements of Uganda Development Bank Limited (“the Bank”) for the year ended 31 December 2025, which disclose the state of affairs of the Bank.

1. INCORPORATION

The Bank was incorporated under the Companies Act Cap. 106 of Uganda on 31 March 2000.

2. PRINCIPAL ACTIVITIES

The principal activities of the Bank are to profitably promote and finance viable economic development in Uganda by providing finance in the form of short, medium, and long term secured loans and acquiring shares in viable businesses.

3. RESULTS

The results for the year are summarised below:

	2025	2024
	Ushs ‘000	Ushs ‘000
Profit before tax	91,646,087	73,192,165
Income tax expense	(28,228,931)	(15,375,545)
Profit for the year	<u>63,417,156</u>	<u>57,816,620</u>

4. RESERVES

The reserves of the Bank are set out on page 13.

5. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2025 (2024: Nil).

6.DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 2.

7. RISK

Risk is an integral part of the Banking business and Uganda Development Bank Limited aims at the delivery of superior shareholder value by achieving an appropriate trade-off between risk and returns. The Bank is exposed to various risks, including credit risk, market risk, operational risk, exogenous risk and climate risk. Our risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

i. Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Uganda Development Bank Limited measures, monitors and manages credit risk for each borrower and also at the portfolio level. The Bank has a standardised credit approval process, which includes a well-established procedure of comprehensive credit appraisal and rating.

ii. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other prices, such as equity prices. The Bank’s exposure to market risk is a function of its asset and liability management activities. The objective of market risk management is to minimize the impact of losses due to market risks on earnings and equity capital. Market risk policies include Asset-Liability Management (ALM) policies.

iii. Operational Risk

Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, and inadequate training and employee errors. We mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning.

iv. Exogenous risk

Exogenous risk is driven by evolving global geopolitical tensions around the world, including ongoing conflicts such as Russia and Ukraine and escalating tensions in the Middle East involving the United States and Iran, alongside tightening global financial conditions, climate-related shocks, and supply chain disruptions, with resultant spillover effects on the Bank's borrowers.

v. Climate risk

Intensities of climate risk continue to increase as manifested in increased heating of the earth resulting in extreme drought in the cattle corridor, floods in the Elgon and Rwenzori regions, and changing weather patterns, among others. The effects increase vulnerabilities in the Agricultural sector which is the back bone of Uganda's economy.

Detailed risk management disclosures are presented in note 5 to the financial statements.

8. THE AADFI PRUDENTIAL STANDARDS, GUIDELINES AND RATINGS SYSTEM

Uganda Development Bank Limited is a member of the Association of African Development Finance Institutions (AADFI), a union of development banks in Africa whose main activities are the provision of information and training in the techniques of banking and finance as well as development policy advice to African bankers and finance officers.

In 2024, the Bank participated in a peer review of African Development Finance Institutions based on wide ranging criteria including governance standards, financial prudential standards, and operational standards and scored 91% representing a "High" performance level. The Bank scored 94% in 2023. The directors are committed to continuous improvement in the Bank's rating.

9. AUDITOR

In accordance with Article 163 (3) of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 23 of the National Audit Act 2008, the financial statements are required to be audited once every year by the Auditor General of Uganda or an auditor appointed by him to act on his behalf.

For the year ended 31 December 2025, M/s Ernst & Young, Certified Public Accountants, were appointed to act on behalf of the Auditor General.

10. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue at the meeting of the Board of Directors held on 14th April 2026.

By order of the Board


MRS. SOPHIE K. NAKANDI
Company Secretary

REPORT OF THE DIRECTORS

The Companies Act Cap. 106, of Uganda requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of financial affairs of the Bank as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the Bank keeps proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank. The Tax Procedures Code Act Cap. 343 requires a taxpayer with an annual turnover of Ugandan Shillings 500 million to furnish, with the taxpayer's return of income, audited financial statements prepared by an accountant registered by the Institute of Certified Public Accountants of Uganda (ICPAU). The financial statements are prepared by the Bank accountant with the oversight of the directors.

The directors are ultimately responsible for the internal control of the Bank. The directors delegate the responsibility for the internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Bank's assets. Appropriate accounting policies supported by reasonable and prudent judgements and estimates, are applied on a consistent basis and using the going concern basis. These systems and controls include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

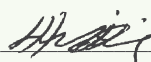
The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap.106, of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap. 106, of Uganda. The directors further accept the responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors certify that to the best of their knowledge, the information furnished to the external auditor for the purpose of the audit was correct and is an accurate representation of the Bank's financial transactions.

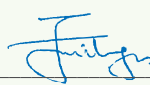
Nothing has come to the attention of the directors to indicate that the Bank may not remain a going concern for at least the next twelve months from the date of this statement.

Preparation and approval of the financial statements

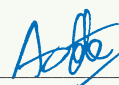
The financial statements of Uganda Development Bank Limited for the year ended 31 December 2025 were prepared by CPA Denis Owens Ochieng – FM583.


Accountant

The financial statements were approved by the Board of Directors on 14th April 2026 and signed on behalf of the Board of Directors by:


GEOFFREY T. KIHUGURU
Chairperson


BUSULWA KAYONGO
Director


Dr. ALBERT RICHARDS OTETE
Director


SOPHIE K. NAKANDI
Secretary

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF UGANDA DEVELOPMENT BANK LIMITED FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2025

THE RT. HON. SPEAKER OF PARLIAMENT

Introduction

In accordance with Section 22 of the National Audit Act, Cap 170, I appointed M/s Ernst and Young Certified Public Accountants, to audit the financial statements of Uganda Development Bank Limited on my behalf, to enable me to report to Parliament in accordance with Article 163 (4) of the 1995 Constitution of the Republic of Uganda.

Opinion

I have audited the accompanying financial statements of Uganda Development Bank Limited (“the Bank”) set out on pages 146 to 224, which comprise the statement of financial position as at 31st December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Uganda Development Bank Limited as at 31st December 2025, and of its financial performance and its cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act Cap. 106 of Uganda..

Basis for opinion

I conducted the audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ (IESBA) Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Bank. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Expected Credit Losses (ECL) on loans and advances to customers	
As disclosed in Note 20 to the financial statements, as at 31 December 2025, the Bank had an allowance for expected credit losses of Ushs 115,614 million (2024: Ushs 86,658 million) charged on gross loans and advances to customers of Ushs 1,770,104 million (2024: Ushs 1,644,035 million). The expected credit losses are based on a forward-looking approach that recognises impairment loss allowances in accordance with IFRS 9 Financial Instruments. The estimation of expected credit losses requires the Bank to make significant judgements in the consideration of the following variables:	My audit procedures included, but were not limited to: - I reviewed the accounting policies for compliance with IFRS 9 requirements. - I reviewed the ECL models including whether the assumptions applied, and the functioning and application of the models were accordance with IFRS 9. - I reviewed the allocation of loans and advances to customers to stages 1, 2 and 3 for compliance with IFRS 9 basing on the performance of the loans and the available information. - I evaluated the assumptions made to factor expected future cash flows into the ECL - computations taking into account market conditions and the post-reporting date performance of the loan facilities. - I evaluated the reliability of data sources including collateral valuation used in the ECL calculations. This included reviewing loan files to check where appropriate, if the inputs agreed to the supporting documentation. - I assessed whether disclosures made in the financial statements agreed to the audited balances and information and whether they were in accordance with IFRS 9 <i>Financial instruments</i>.
- Allocation of loan facilities due from customers to stages 1, 2 and 3 in accordance with IFRS 9 based on: - Credit exposures for which there has been a significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (life-time ECL); and - Credit exposures for which there has been no significant increase in credit risk, and for which a loss allowance is recognised for default events that are possible within the next 12-months (12-month ECL). - Stratification of assets under different credit portfolio on the basis of the associated credit risk. - Assessment of Probability of Default (PD) and Loss Given Default (LGD). - Application of historical and forward-looking information, including macro-economic factors in the assessment of the PDs. - Assessing and forecasting expected future cash flows from impaired (stage 3) loans and advances to customers and assessing the financial condition of the counterparty, estimated recoverable amounts and collateral realization. - Expected utilization of overdraft and other lending commitments over the lifetime of the commitments. - Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss models.	
Due to the significance of the amounts and significant judgements and related estimation uncertainty involved, the assessment of ECLs has been considered a key audit matter. The complexity of these estimates requires management to disclose the key judgments and the key inputs into the ECL computations. These disclosures include those in Notes 4(h)(vii), 5(a), and 20 to the financial statements regarding the accounting policies and explanatory notes.	

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report as required by the Companies Act, Cap 106 of Uganda, company information and the statement of directors' responsibilities, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, Cap. 106 of Uganda, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting processes.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee

that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation..

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Companies Act Cap. 106, of Uganda, we report to you, based on our audit, that:

- I. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of my audit;
- II. In my opinion, proper books of account have been kept by the Bank, so far as appears from my examination of those books; and
- III. The Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.



Edward Akol
AUDITOR GENERAL
Kampala
29th April 2026

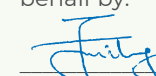
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2025	2024
		Ushs '000	Ushs '000
Interest income calculated using the effective interest rate method	8	167,753,009	151,785,132
Interest and similar income	8	6,356,355	5,532,310
Interest expense calculated using the effective interest rate method	9	(9,663,817)	(10,298,526)
Net interest income		164,445,547	147,018,916
Net foreign exchange loss	10	(1,623,169)	(3,299,882)
Fair value loss on equity investments	23	(26,479)	(40,235)
Other income	11	1,680,378	672,882
Net impairment and modification losses on financial instruments	20(e)	(18,485,865)	(24,004,414)
Operating income after impairment losses		145,990,412	120,347,267
Personnel expenses	12	(32,277,378)	(29,363,504)
Depreciation and amortization	13	(3,254,588)	(1,754,030)
Other operating expenses	14	(18,812,359)	(16,037,568)
Profit before tax		91,646,087	73,192,165
Income tax expense	17(a)	(28,228,931)	(15,375,545)
Profit for the year		63,417,156	57,816,620
Other comprehensive income			
Items that will not be classified to profit or loss			
Loss on revaluation of property and equipment	26	-	(2,283,314)
Deferred tax on revaluation loss		-	684,994
		-	(1,598,320)
Total comprehensive income net of tax		63,417,156	56,218,300
Basic and diluted earnings per share	16	52.54	65.82

STATEMENT OF FINANCIAL POSITION

	Note	2025	2024
		Ushs '000	Ushs '000
ASSETS			
Cash and cash equivalents	18	34,648,174	15,209,124
Deposits held in banks	19	429,679,312	89,302,730
Customer loans and advances	20	1,633,713,058	1,532,448,545
Staff loans and advances	21	14,217,673	10,884,779
Other assets	22	35,052,902	24,763,870
Equity investments at fair value through profit or loss	23	1,670,910	1,761,538
Current income tax recoverable	17(b)	-	3,343,524
Other financial investments at amortised cost	24	11,982,803	3,533,797
Investment in associate	25	4,741,997	4,811,424
Property and equipment	26	70,265,908	69,748,567
Right of use assets	27(a)	655,684	748,799
Intangible assets	28	812,366	530,661
Deferred tax asset	17(c)	26,701,950	25,100,829
TOTAL ASSETS		2,264,142,737	1,782,188,187
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to Bank of Uganda	29	5,186,039	9,569,258
STI-OP Fund	30	46,464,944	28,952,632
Other liabilities	31	56,962,064	56,976,985
Current income tax payable	17 (b)	1,214,881	-
Lease liabilities	27(b)	503,991	546,835
Borrowings	32	257,990,248	161,795,029
European Union grant	33	779,487	4,287,146
UNCDF Fund	34	8,340,627	7,992,915
		377,442,281	270,120,800
Equity			
Issued share capital	35	1,207,072,738	878,359,004
GOU capital contributions	36	311,215,913	328,713,734
Kuwait Special Fund	37	37,672,650	36,715,059
Asset revaluation reserve	38	279,928	279,928
Retained earnings	39	330,459,227	267,999,662
		1,886,700,456	1,512,067,387
TOTAL LIABILITIES AND EQUITY		2,264,142,737	1,782,188,187

The financial statements were approved for issue by the Board of Directors on 14th April 2026 and signed on its behalf by:


GEOFFREY T. KIHUGURU
Chairperson

BUSULWA KAYONGO
Director


DR. ALBERT RICHARDS OTETE
Director

SOPHIE K. NAKANDI
Secretary

STATEMENT OF CHANGES IN EQUITY

	Share capital	GOU capital contributions	Kuwait Special Fund	Asset revaluation reserve	Retained earnings	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs '000	Ushs'000	Ushs'000
At 1 January 2024	878,359,004	248,049,781	35,349,112	2,563,242	211,548,989	1,375,870,128
Total comprehensive income for the year	-	-	-	-	57,816,620	57,816,620
Loss on revaluation of property and equipment (Note 23)				(2,283,314)		(2,283,314)
Government of Uganda capital contributions	-	80,663,953	-	-	-	80,663,953
Transfers to Kuwait Special Fund	-	-	1,365,947	-	(1,365,947)	-
At 31 December 2024	878,359,004	328,713,734	36,715,059	279,928	267,999,662	1,512,067,387

	Share capital	GOU capital contributions	Kuwait Special Fund	Asset revaluation reserve	Retained earnings	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs '000	Ushs'000	Ushs'000
At 1 January 2025	878,359,004	328,713,734	36,715,059	279,928	267,999,662	1,512,067,387
Total comprehensive income for the year	-	-	-	-	63,417,156	63,417,156
Government of Uganda capital contributions		311,215,913		-		311,215,913
Transfers of issued shares to share capital	328,713,734	(328,713,734)	-	-	-	-
Transfers to Kuwait Special Fund	-	-	957,591	-	(957,591)	-
At 31 December 2025	1,207,072,738	311,215,913	37,672,650	279,928	330,459,227	1,886,700,456

STATEMENT OF CASH FLOWS

		2025	2024
	Note	Ushs '000	Ushs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows before changes in operating assets and liabilities	45	(28,948,974)	(31,854,432)
Changes in operating assets and liabilities			
Increase in customer loans and advances		(89,759,254)	(60,050,720)
Decrease/(increase) in other assets		(8,263,331)	4,037,805
Increase in other liabilities		14,921	10,404,286
Increase in staff loans and advances		(3,299,723)	(1,771,556)
Increase in STI-OP Fund		17,512,312	28,952,632
Increase in UNCDF Fund		347,712	407,776
Decrease in European Union Grant		(3,507,659)	(4,281,118)
Cash used in operations		(115,903,996)	(54,155,327)
Income tax paid	17(b)	(25,271,648)	(27,131,681)
Interest paid on borrowings	32	(7,949,882)	(10,542,709)
Interest paid on lease liabilities	27(b)	(42,454)	(50,757)
Interest income received on staff and customer loans and advances	45	119,471,697	108,886,025
Net cash flows (used in)/generated from operations		(29,696,283)	17,005,551
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	26	(3,254,487)	(24,173,786)
Acquisition of intangible assets	28	(706,030)	(576,306)
Acquisition of convertible notes	22	(2,025,701)	(1,150,206)
Additions to investment in associate	25	-	(103,670)
Acquisition of other financial investments	24	(8,449,006)	(3,533,797)
Net cash used in investing activities		(14,435,224)	(29,537,765)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease liability paid	27(b)	(16,478)	(81,878)
Proceeds of amounts due to Bank of Uganda	29	-	2,439,641
Repayments of amounts due to Bank of Uganda	29	(4,383,219)	(1,578,730)
Proceeds from borrowings	32	130,529,348	-
Repayment of principal borrowings	29	(33,285,225)	(50,604,544)
Government of Uganda capital contributions	37	311,215,913	80,663,953
Net cash flows generated from financing activities		404,060,339	30,838,442
Net increase in cash and cash equivalents		359,928,832	18,306,228
Cash and cash equivalents at 1 January		104,511,854	86,456,930
Effects of exchange rate changes on cash and cash equivalents		(113,200)	(251,304)
Cash and cash equivalents at 31 December	18	464,327,486	104,511,854

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION REPORTING ENTITY

Uganda Development Bank Limited (the “Bank”) is a company domiciled in Uganda. The address of the Bank’s registered office is:

Uganda Development Bank Limited
Plot 22, Hannington Road
P. O. Box 7210
Kampala, Uganda

The principal activities of the Bank are to profitably promote and finance viable economic development in Uganda by providing finance in the form of short, medium, and long term secured loans and acquiring shares in viable businesses.

2. ACCOUNTING POLICY ELECTIONS

a. Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS”). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 6.

b. Statement of compliance

The financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS) and the Companies Act Cap. 106 of Uganda.

c. Presentation of financial statements

The Bank presents its Statement of Financial Position in order of liquidity based on the Bank’s intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 5(c).

Financial assets and financial liabilities are generally reported gross in the Statement of Financial Position except when IFRS netting criteria are met.

Other instruments are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the bank also intends to settle on a net basis in all the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the bank and or its counterparties.

d. Going concern

The directors have assessed the Bank’s ability to continue as a going concern and are satisfied that the Bank has the resources to continue in business for the foreseeable future. The Bank has maintained profitability during the year and also received additional share capital and as such has sufficient capital to absorb losses for the foreseeable future. Furthermore, the directors are not aware of any other material uncertainties that may cast significant doubt upon the Bank’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

e Functional and presentation currency

The financial statements are presented in Uganda Shillings (Ushs), which is the Bank’s functional currency. All financial information presented in Uganda shillings has been rounded to the nearest thousand (Ushs ‘000) except where otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The financial statements have been prepared in compliance with the standards and interpretations applicable for financial periods commencing on or after 1 January 2025.

New and amended standards and interpretations that were effective during the reporting period

The new and amended standards which are effective for annual periods beginning on or after 1 January 2025 had no impact on the bank’s financial statements. Below we indicate the amendment that was effective for the year;

Lack of exchangeability – Amendments to IAS 21; The amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

New and revised IFRS Accounting Standards as issued by the International Accounting Standards Board issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the bank’s financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards issued but not yet effective that are expected to have a material impact on the Bank’s financial statements

IFRS 18 – Presentation and Disclosure in Financial Statements (Effective for annual periods on or after 1 January 2027)

In April 2025, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

IFRS 18, and the consequential amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and must be applied retrospectively. Early adoption is permitted and must be disclosed.

The Bank is currently working to identify the impacts the standard will have on the primary financial statements and notes to the financial statements. The Bank considers its main business activities to include the provision of financing to customers and investing in financial assets. In accordance with IFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories..

Standards issued but not yet effective that are not expected to have a material impact on the bank’s financial statements

- Classification and Measurement of Financial instruments- Amendments to IFRS 9 and IFRS 7(Effective for annual periods on or after 1 January 2026)
- Annual Improvements to IFRS Accounting Standards—Volume 11 (Effective for annual periods on or after 1 January 2026)
- Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7 (Effective for annual periods on or after 1 January 2026)
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures Effective for annual periods on or after 1 January 2027)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting)
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (Effective for annual reporting periods starting on or after 1 January 2026)

4. MATERIAL ACCOUNTING POLICY INFORMATION

A. FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Uganda shillings in thousands (Ushs'000), which is also the functional currency of the entity. Transactions in foreign currencies are initially recorded in the functional currency at the spot exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date.

All translation gains and losses arising on non-trading activities are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI, or profit or loss are also recognised in OCI or profit or loss, respectively).

B. INTEREST INCOME AND INTEREST EXPENSE

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' respectively in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-simulation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in profit or loss includes:

- interest on financial assets measured at amortised cost; Interest expense presented in profit or loss includes interest on financial liabilities measured at amortised cost.

C. FEES AND COMMISSION INCOME AND EXPENSE

Fees and commission income and expense that are integral to the effective interest on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income including account servicing fees and syndication fees are recognised as the related services are performed.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry.

Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

D. OTHER INCOME

Other income includes gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

E. DIVIDEND INCOME

Dividend income is recognised when the right to receive payment is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in other income.

F. RENTAL INCOME

Rental income is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

G. INCOME TAX EXPENSE

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in equity, in which case the tax is also recognised in equity.

i Current income tax

Current income tax is provided for in the statement of comprehensive income on the basis of the results for the year shown in the financial statements adjusted in accordance with the provisions of the Ugandan Income Tax Act Cap. 338

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The Bank periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii Deferred income tax

Deferred tax is provided for in full using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised.

However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. The directors have assessed the Bank's right to offset and found that this is applicable to the Bank for all periods presented.

The income tax expense is the aggregate of the charge to profit or loss in respect of current income tax and deferred tax.

H. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Recognition and initial measurement

Date of recognition

The Bank initially recognises loans and advances to customers, deposits and debt securities issued on the date on which they are originated. Loans and advances to customers are recognised when funds are transferred to the customers' accounts and the Bank recognises balances due to customers when funds are transferred to the Bank. All other financial instruments, including regular-way purchases and sales of financial assets, are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or reduced by transaction costs that are directly attributable to its acquisition or issue respectively, for an item not at fair value through profit or loss. The fair value of a financial instrument at initial recognition is generally its transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

ii Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely for payment of principal and interest (SPPI), the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortization recognised in the income statement, and an ECL allowance. The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 5(a).

iii. Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in (0). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are sale-and-repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

iv Modifications of financial assets and financial liabilities (Continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for c policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If the terms of a financial asset are modified because of financial difficulties of the borrower and the asset is not derecognised, then impairment of the asset is measured using the pre-modification interest rate.

If a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income/expense calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

v Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

vi Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price- i.e., the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments- e.g., bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.
- The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii Impairment

The Bank recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.
- Other financial investments

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which ECLs are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the generally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowances for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. If the amount to be written off is greater than the accumulated loss allowance, the difference

is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

Measurement of impairment

The Bank calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Bank considers scenarios. Each of the scenarios is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Further details on the above are included in the note on financial risk management. For other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.
- For debt security held at fair value through OCI (FVOCI): If in a subsequent period, the fair value of an impaired debt security increases and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired debt security at FVOCI is always recognised in OCI.

Presentation of ECLs in the statement of profit or loss and other comprehensive income

- Impairment losses are recognised in profit or loss and are presented separately. Interest on the impaired assets continues to be recognised through the unwinding of the discount.
- Impairment losses on investment securities at FVOCI are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method are reflected as a component of interest income.

Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties, and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Bank also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

viii Staff loans

In the normal course of business, the Bank advances loans to employees at below market rate. These loans are measured initially at fair value. The favourable loan term offered to employees are dependent on the continued employment and therefore relate to services to be rendered in future periods. The interest benefit is forfeited if the employee leaves the Bank. The benefit is a long-term benefit to the employees and the discount arising from the difference between the nominal value and the market value is treated as a prepayment and expensed in profit or loss in the period in which the services are rendered.

I. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and cash on hand, deposits held at call with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

J INVESTMENT SECURITIES

The 'investment securities' caption in the statement of financial position includes debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss.

K PROPERTY AND EQUIPMENT

i Recognition and measurement

Property and equipment are stated at cost or revalued amount, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

After recognition as an asset, land and buildings are carried at their revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made after every 3 years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. The revaluation surplus is transferred to retained earnings upon derecognition of the asset to which it relates.

ii Subsequent costs

Subsequent expenditure on an asset is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank and the expenditure improves the condition of the asset beyond its previously assessed standard of performance. Ongoing repairs and maintenance are expensed as incurred.

iii Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. The rates of depreciation used are based on the following estimated useful lives:

Buildings	50 years
Motor vehicles	5 years
Fixtures, fittings and equipment	8 years
Computers	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv Impairment

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs

of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

v. Derecognition

An item of property or equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

L. INTANGIBLE ASSETS

Software acquired by the Bank is measured at cost less accumulated amortization and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortization and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The core-banking system acquired has a useful life of five years.

The intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

M. SHARE CAPITAL

Ordinary shares are classified as "share capital" in equity and are measured at the fair value of the consideration receivable, net of transaction costs, without subsequent re-measurement. Any premium received over and above the par value of the shares is classified as "share premium" in equity. Contributions received from the Government of Uganda and for which no shares have been allotted are classified as Government of Uganda capital contributions pending allotment of shares.

N. EMPLOYEE BENEFITS

i. Defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii Short-term benefits

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services. They exclude equity-based benefits and termination benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iii. Termination benefits

Termination benefits are recognised as an expense when the Bank is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Other Long term Employee benefits

iv. Service gratuity

Gratuity expenses are accrued for staff whose contracts contain gratuity benefits in specific contributions as specified by their contracts and payments made after the contract term has elapsed.

O. CONTINGENT LIABILITIES AND COMMITMENTS

The Bank enters into various irrevocable commitments and contingent liabilities in order to meet the financial needs of its customers. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and therefore, form part of the overall risk of the Bank.

P. EARNINGS PER SHARE

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all any potentially dilutive ordinary shares.

Q. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For all assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognised for the asset in prior years.

The Bank did not need to record any impairment loss for its non-financial assets during the reporting period.

R. LEASES

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. "The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to dismantle and remove any improvements made to branches or office premises. Right-of-use assets are depreciated on a straight-line basis over the lease term."

The right-of-use assets are presented separately on the statement of financial position and are subject to impairment in line with the Bank's policy on impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the incremental borrowing rate. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents lease liabilities separately on the statement of financial position.

S. KUWAIT SPECIAL FUND

The Bank managed these funds in trust on behalf of the Government of Uganda. The funds were recorded as a liability on receipt of the funds and the corresponding entries were recorded under cash and bank balances or loans and advances to customers until 14 October 2022 when Kuwait approved transfer of this the Kuwait Special Fund from the Bank's liabilities' section to the equity section.

T. GRANTS

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

U. INVESTMENT IN ASSOCIATES

Associates are those entities in which the bank has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Bank's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

The accounting policies are consistent with those reported in the previous year except for the adoption of the standards and amendments effective for the current period as set out note 3 to the financial statements.

V. PROVISIONS

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. FINANCIAL RISK MANAGEMENT

The Bank has exposure to various risks from its use of financial instruments including; credit, liquidity and market risk.

The Bank's board of directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank through its procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit and Risk Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit and Risk Committee is assisted in these functions by internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Bank's policy is that risk management processes are audited by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of its assessment with management and reports its findings and recommendations to the Audit and Risk committee.

The Board Strategic Planning Committee is responsible for managing its assets and liabilities and the overall financial structure. It is also responsible for the funding and liquidity risks of the Bank.

Concentrations arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry.

A. CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loan and advances to customers. For risk management reporting purposes, the Bank considers all elements of credit risk exposure such as individual obligator default risk and sector risk.

In the normal course of its business, the Bank incurs credit risk from deposits with banks, loans and advances to customers, staff loans and other assets.

Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Impaired loans and advances

Impaired loans and advances are those which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s).

The Bank measures the loss allowance on loans and advances at an amount equal to the 12-month or lifetime expected credit losses depending on whether or not the credit risk has increased significantly since initial recognition.

Internal credit risk ratings

In order to minimize credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank’s credit risk grading to categorize exposures according to their degree of risk of default.

The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored, and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank’s exposures:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower’s competitive position;
- Deterioration in the value of collateral.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Bank’s internal credit risk grades.

Bank’s rating	Description of the grade	Qualitative factor
1	Performing	0 - 29 days outstanding
2	Performing with significant increase in credit risk	30 -89 days outstanding
3	Non-performing	>90 days outstanding

Forward-looking information

The Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as inflation rates, business tendency indicators and treasury bill rates. The Bank generates a ‘base case’ scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Bank then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria include:

- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Utilization of the granted limit.
- Requests for and granting of restructuring.
- Existing and forecast changes in business, financial and economic conditions.
- Internally collected data on customer behavior – e.g. utilization of credit card facilities
- However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis

and are cancelled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

- The Bank monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

The Bank’s maximum exposure to credit risk before collateral held is as follows:

	2025	2024
	Ushs ‘000	Ushs ‘000
Cash and cash equivalents (Note 18)	34,648,174	15,209,124
Deposits held in other banks (Note 19)	429,679,312	89,302,730
Loans and advances (Note 20)	1,633,713,058	1,532,448,545
Staff loans and advances (Note 21)	14,217,673	10,884,779
Other assets* (Note 22)	32,394,108	22,280,180
Other financial investments (Note 24)	11,982,803	3,533,797
Off balance sheet items**	196,399,392	245,938,822
	2,353,034,520	1,919,597,977

The above table represents the worst-case scenario of credit risk exposure to the Bank as at 31 December 2025 and 31 December 2024 without taking into account any collateral held. The exposures are based on carrying amounts as reported in the statement of financial position.

*Other assets above exclude non-financial assets such as prepayments, security deposits and work in progress.

**Off balance sheet items relate to undrawn commitments, letters of credit and financial guarantees.

The table below sets out the information about the credit quality of the Bank’s loans and advances and the allowance for impairment /loss held by the bank against those assets.

Maximum exposure to credit risk — Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank’s maximum exposure to credit risk on these assets.

Long term loans	2025			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	Ushs ‘000	Ushs ‘000	Ushs ‘000	Ushs ‘000
Loan category:				
Performing	445,340,333	-	-	445,340,333
Performing with significant increase in credit risk	-	315,905,495	-	315,905,495
Non-performing	-	-	107,845,964	107,845,964
Gross carrying amount	445,340,333	315,905,495	107,845,964	869,091,792
Loss allowance	(14,299,345)	(34,906,479)	(32,578,034)	(81,783,858)
Carrying amount	431,040,988	280,999,016	75,267,930	787,307,934

Long term loans	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:				
Performing	498,343,302	-	-	498,343,302
Performing with significant increase in credit risk	-	232,494,954	-	232,494,954
Non-performing	-	-	96,992,734	96,992,734
Gross carrying amount	498,343,302	232,494,954	97,107,013	827,830,990
Loss allowance	(6,150,348)	(23,047,977)	(27,594,697)	(56,793,022)
Carrying amount	492,192,954	209,446,977	69,398,037	771,037,968

Medium term loans	2025			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:				
Performing	188,201,882	-	-	188,201,882
Performing with significant increase in credit risk	-	242,970,218	-	242,970,218
Non-performing	-	-	52,952,891	52,952,891
Gross carrying amount	188,201,882	242,970,218	52,952,891	484,124,991
Loss allowance	(2,558,319)	(7,227,941)	(9,963,084)	(19,749,345)
Carrying amount	185,643,562	235,742,277	42,989,807	464,375,646

Medium term loans	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:				
Performing	215,909,331	-	-	215,909,331
Performing with significant increase in credit risk	-	178,578,634	-	178,578,634
Non-performing	-	-	32,677,684	32,677,684
Gross carrying amount	215,909,331	178,578,634	32,677,684	427,165,649
Loss allowance	(4,179,796)	(8,447,362)	(6,615,718)	(19,242,876)
Carrying amount	211,729,535	170,131,272	26,061,966	407,922,773

Trade finance loans	2025			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:				
Performing	72,403,068	-	-	72,403,068
Performing with significant increase in credit risk	-	38,759,180	-	38,759,180
Non-performing	-	-	31,208,485	31,208,485
Gross carrying amount	72,403,068	38,759,180	31,208,485	142,370,732
Loss allowance	(101,538)	(354,622)	(554,041)	(1,010,201)
Carrying amount	72,301,530	38,404,558	30,654,444	141,360,531

Trade finance loans	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:				
Performing	101,921,600	-	-	101,921,600
Performing with significant increase in credit risk	-	34,194,389	-	34,194,389
Non-performing	-	-	32,664,525	32,664,525
Gross carrying amount	101,921,600	34,194,389	32,664,525	168,780,514
Loss allowance	(92,086)	(457,702)	(661,550)	(1,211,338)
Carrying amount	101,829,514	33,736,687	32,002,975	167,569,176

Working capital loans	2025			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:				
Performing	123,479,039	-	-	123,479,039
Performing with significant increase in credit risk	-	40,498,642	-	40,498,642
Non-performing	-	-	55,188,333	55,188,333
Gross carrying amount	123,479,039	40,498,642	55,188,333	219,166,014
Loss allowance	(202,440)	(687,225)	(9,527,572)	(10,417,237)
Carrying amount	123,276,600	39,811,417	45,660,761	208,748,778

Working capital loans	2024			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:				
Performing	75,027,489	-	-	75,027,489
Performing with significant increase in credit risk	-	47,182,676	-	47,182,676
Non-performing	-	-	53,211,223	53,211,223
Gross carrying amount	75,027,489	47,182,676	53,211,223	175,421,388
Loss allowance	(1,212,165)	(169,383)	(5,580,038)	(6,961,586)
Carrying amount	73,815,324	47,013,293	47,631,185	168,459,802

Special programs loans	2025			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:				
Performing	24,009,174	-	-	24,009,174
Performing with significant increase in credit risk	-	16,204,126	-	16,204,126
Non-performing	-	-	15,138,095	15,138,095
Gross carrying amount	24,009,174	16,204,126	15,138,095	55,351,394
Loss allowance	(119,815)	(500,412)	(2,033,542)	(2,653,769)
Carrying amount	23,889,359	15,703,713	13,104,553	52,697,625

Special programs loans					2024
ECL Staging					
	Stage 1	Stage 2	Stage 3	Total	
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:					
Performing	26,209,391	-	-	26,209,391	
Performing with significant increase in credit risk	-	7,614,990	-	7,614,990	
Non-performing	-	-	11,012,005	11,012,005	
Gross carrying amount	26,209,391	7,614,990	11,012,005	44,836,386	
Loss allowance	(697,754)	(240,727)	(1,510,838)	(2,449,319)	
Carrying amount	25,511,637	7,374,263	9,501,167	42,387,067	

Staff loans					2025
ECL Staging					
	Stage 1	Stage 2	Stage 3	Total	
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:					
Performing	23,330,892	-	-	23,330,892	
Performing with significant increase in credit risk	-	750,179	-	750,179	
Non-performing	-	-	780,497	780,497	
Gross carrying amount	23,330,892	750,179	780,497	24,861,568	
Loss allowance	(62,979)	(34,964)	(152,460)	(250,403)	
Carrying amount	23,267,912	715,215	628,037	24,611,164	

Staff loans					2024
ECL Staging					
	Stage 1	Stage 2	Stage 3	Total	
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loan category:					
Performing	20,417,355	-	-	20,417,355	
Performing with significant increase in credit risk	-	96,366	-	96,366	
Non-performing	-	-	781,280	781,280	
Gross carrying amount	20,417,355	96,366	781,280	21,295,001	
Loss allowance	(291,984)	(2,412)	(150,885)	(445,281)	
Carrying amount	20,125,371	93,954	630,395	20,849,720	

Other financial instruments			2025	2024
			Stage 1	Stage 1
			Ushs '000	Ushs '000
Cash and cash equivalents (Note 18)			34,648,174	15,216,544
Other financial investments (Note 24)			11,982,803	3,533,797
Other assets (Financial)			32,394,108	22,280,180
Deposits held in banks (Note 19)			429,679,312	60,697,414
Gross carrying amount			508,704,397	101,727,935
Loss allowance			(461,091)	(68,885)
Carrying amount			508,243,306	101,659,050

All the other financial instruments above are under investment grade. Other financial investments were assessed for impairment and no material ECLs were assessed thus, no impairment has been charged against the investment

Off balance sheet instruments:		2025	2024
		Ushs '000	Ushs '000
Guarantees		59,736,553	67,677,491
Letters of credit		9,407,971	19,388,585
Other commitments to lend		127,254,868	158,872,746
Gross carrying amount		196,399,392	245,938,822
Loss allowance		(1,781,793)	(5,100,302)
Carrying amount		194,617,599	240,838,520

The movement in the loss allowance on off balance sheet instruments is disclosed below:

			2025	2024
			Ushs '000	Ushs '000
At year start			5,100,302	4,820,217
(Credit)/Charge for the year			(3,318,509)	280,085
Closing balance			1,781,793	5,100,302

Off balance sheet instruments						2025
Gross carrying amounts						
	Stage 1	Stage 2	Stage 3	Total	ECL	
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
At 1 January	132,413,154	26,418,511	41,081	158,872,746	5,100,302	
New exposures	57,081,981	2,382,191	-	59,464,172	71,786	
Payments and assets derecognised	(5,433,655)	(2,004,921)	-	(7,438,576)	(76,206)	
Transfers (out of)/into stage 1	(96,667,874)	-	-	(96,667,874)	(2,697,010)	
Transfers (out of)/into stage 2	-	(53,374,896)	-	(53,374,896)	(2,151,602)	
Transfers (out of)/into stage 3	-	-	(1,391,399)	(1,391,399)	(35,754)	
Other changes*	22,914,073	112,670,828	1,350,318	136,935,219		1,570,277
At 31 December 2025	110,307,679	86,091,713	-	196,399,392	1,781,793	

Off balance sheet instruments						2024
Gross carrying amounts						
	Stage 1	Stage 2	Stage 3	Total	ECL	
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
At 1 January	179,372,000	7,002,025	2,583,763	188,957,788	4,820,217	
New exposures	75,072,448	5,812,164	24,000	80,908,612	3,056,498	
Payments and assets derecognised	(28,425,917)	(5,230,019)	(2,253,073)	(35,909,009)	(1,107,397)	
Transfers (out of)/into stage 1	(66,510,439)	-	-	(66,510,439)	(2,263,767)	
Transfers (out of)/into stage 2	-	(8,493,739)	-	(8,493,739)	592,804	
Transfers (out of)/into stage 3	-	-	(80,467)	(80,467)	1,947	
Other changes*	(27,094,938)	27,328,080	(233,142)	-	-	
At 31 December 2024	132,413,154	26,418,511	41,081	158,872,746	5,100,302	

*Other changes mainly comprise of foreign exchange retranslation differences on foreign currency denominated exposures, changes arising from ECL model updates (including macroeconomic overlays, LGD revisions and changes in forward looking macro-economic assumptions) that did not result in stage transfers.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Long term loans	2025			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	6,150,348	23,047,977	27,594,697	56,793,021
Transfers:				
Transfer from Stage 1 to Stage 2	(1,594,342)	1,594,342	-	-
Transfer from Stage 1 to Stage 3	(27,522)		27,522	-
Transfer from Stage 2 to Stage 1	2,367,703	(2,367,703)		-
Transfer from Stage 2 to Stage 3	-	(1,189,942)	1,189,942	-
Transfer from Stage 3 to Stage 1	205,032	-	(205,032)	-
Additional disbursements	557,024	232,109	-	789,133
Financial assets derecognised	(1,061)	(1,766,117)	-	(1,767,179)
Write -offs	-	-	-	-
Other changes*	6,642,164	15,355,814	3,970,905	25,968,883
Loss allowance as at 31 December	14,299,345	34,906,479	32,578,034	81,783,858

Long term loans	2024			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	8,505,530	7,056,211	31,556,404	47,118,145
Transfers:				
Transfer from Stage 1 to Stage 2	(3,216,093)	3,216,093	-	-
Transfer from Stage 1 to Stage 3	-		-	-
Transfer from Stage 2 to Stage 1	303,120	(303,120)		-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	12,428		(12,428)	-
Transfer from Stage 3 to Stage 2		612,478	(612,478)	-
Additional disbursements	122,650	461,044	81,430	665,124
Financial assets derecognised	(264,340)	-	-	(264,340)
Write -offs	-	-	(1,143,539)	(1,143,539)
Other changes*	687,053	12,005,271	(2,274,692)	10,417,631
Loss allowance as at 31 December	6,150,348	23,047,977	27,594,696	56,793,021

Medium term loans	2025			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	4,179,796	8,447,362	6,615,718	19,242,875
Transfers:				
Transfer from Stage 1 to Stage 2	(2,110,681)	2,110,681	-	-
Transfer from Stage 1 to Stage 3	(46,837)		46,837	-
Transfer from Stage 2 to Stage 1	209,126	(209,126)		-
Transfer from Stage 2 to Stage 3	-	(440,531)	440,531	-
Transfer from Stage 3 to Stage 1	33,569		(33,569)	-
Transfer from Stage 3 to Stage 2		-	-	-
Additional disbursements	490,413	534,187	-	1,024,600
Financial assets derecognised	-	-	-	-
Write -offs	-	-	-	-
Other changes*	(197,067)	(3,214,633)	2,893,569	(518,131)
Loss allowance as at 31 December	2,558,319	7,227,941	9,963,084	19,749,345

Medium term loans	2024			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	13,921,241	7,383,119	4,661,107	25,965,467
Transfers:				
Transfer from Stage 1 to Stage 2	(3,073,864)	3,073,864	-	-
Transfer from Stage 1 to Stage 3	(1,146,484)		1,146,484	-
Transfer from Stage 2 to Stage 1	277,227	(277,227)		-
Transfer from Stage 2 to Stage 3	-	(1,293,379)	1,293,379	-
Transfer from Stage 3 to Stage 1	126,672		(126,672)	-
Transfer from Stage 3 to Stage 2		26,818	(26,818)	-
Additional disbursements	239,262	281,340	-	520,601
Financial assets derecognised	(24,723)	(56,067)	-	(80,789)
Write -offs	-	-	(1,518,623)	(1,518,623)
Other changes*	(6,139,535)	(691,106)	1,186,860	(5,643,780)
Loss allowance as at 31 December	4,179,796	8,447,362	6,615,717	19,242,875

Trade finance loans	2025			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	92,086	457,702	661,550	1,211,338
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-		-	-
Transfer from Stage 2 to Stage 1	-	-		-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-		-	-
Transfer from Stage 3 to Stage 2		-	-	-
Additional disbursements	100,429	1,383	-	101,812
Financial assets derecognised	(90,948)	(430,608)	(5,808)	(527,363)
Write -offs	-	-	-	-
Other changes*	(30)	326,145	(101,701)	(224,415)
Loss allowance as at 31 December	101,538	354,622	554,041	1,010,201

Trade finance loans	2024			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	4,120,056	-	1,122,845	5,242,901
Transfers:				
Transfer from Stage 1 to Stage 2	3,884,702	(3,884,702)	-	-
Transfer from Stage 1 to Stage 3	-		-	-
Transfer from Stage 2 to Stage 1	-	-		-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-		-	-
Transfer from Stage 3 to Stage 2		-	-	-
Additional disbursements	521,336	457,702	-	979,039
Financial assets derecognised	(197,705)	-	-	(197,705)
Write -offs	-	-	(783,171)	(783,171)
Other changes*	(8,236,303)	3,884,703	321,875	(4,029,725)
Loss allowance as at 31 December	92,086	457,703	661,549	1,211,338

Working capital loans	2025			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	1,212,165	169,383	5,580,038	6,961,585
Transfers:				
Transfer from Stage 1 to Stage 2	(241,850)	241,850	-	-
Transfer from Stage 1 to Stage 3	(1,278)	-	1,278	-
Transfer from Stage 2 to Stage 1	41	(41)	-	-
Transfer from Stage 2 to Stage 3	-	(43,013)	43,013	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	160,794	51,608	380,329	212,403
Financial assets derecognised	(907,026)	(119,345)	(364,104)	(1,390,476)
Write -offs	-	-	-	-
Other changes*	(20,407)	386,784	4,267,347	4,633,724
Loss allowance as at 31 December	202,440	687,225	9,527,572	10,417,237

Working capital loans	2024			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	2,946,038	320,039	9,480,738	12,746,815
Transfers:				
Transfer from Stage 1 to Stage 2	(33,954)	33,954	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	8,646	(8,646)	-	-
Transfer from Stage 2 to Stage 3	-	(136,422)	136,422	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	67,090	(67,090)	-
Additional disbursements	376,110	55,172	380,329	811,611
Financial assets derecognised	(239,364)	-	-	(239,364)
Write -offs	-	-	(2,180,975)	(2,180,975)
Other changes*	(1,845,311)	(161,804)	(2,169,386)	(4,176,502)
Loss allowance as at 31 December	1,212,164	169,383	5,580,038	6,961,585

Special programs	2025			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	697,754	240,727	1,510,840	2,449,321
Transfers:				
Transfer from Stage 1 to Stage 2	(383,888)	383,888	-	-
Transfer from Stage 1 to Stage 3	(81,968)	-	81,968	-
Transfer from Stage 2 to Stage 1	4,603	(4,603)	-	-
Transfer from Stage 2 to Stage 3	-	(85,855)	85,855	-
Transfer from Stage 3 to Stage 1	35,703	-	(35,703)	-
Transfer from Stage 3 to Stage 2	-	30,460	(30,460)	-
Additional disbursements	78,590	67,318	-	145,908
Financial assets derecognised	(4,740)	(12,971)	(77,516)	(95,227)
Write -offs	-	-	-	-
Other changes*	(226,240)	(118,552)	498,558	153,767
Loss allowance as at 31 December	119,815	500,412	2,033,542	2,653,769

Special programs	2024			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	463,038	431,901	581,638	1,476,576
Transfers:				
Transfer from Stage 1 to Stage 2	(54,933)	54,933	-	-
Transfer from Stage 1 to Stage 3	(692,760)	-	692,760	-
Transfer from Stage 2 to Stage 1	216,537	(216,537)	-	-
Transfer from Stage 2 to Stage 3	-	(147,502)	147,502	-
Transfer from Stage 3 to Stage 1	117,813	-	(117,813)	-
Transfer from Stage 3 to Stage 2	-	68,871	(68,871)	-
Additional disbursements	268,984	117,372	88,709	475,065
Financial assets derecognised	(15,527)	(12,163)	-	(27,690)
Write -offs	-	-	-	-
Other changes*	394,602	(56,148)	186,915	525,369
Loss allowance as at 31 December	697,754	240,727	1,510,840	2,449,321

Staff loans	2025			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	291,984	2,412	150,885	445,281
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	16,815	15,235	-	32,050
Financial assets derecognised	(108,014)	(564)	-	(108,578)
Write -offs	-	-	-	-
Other changes*	(137,806)	17,882	1,575	(118,349)
Loss allowance as at 31 December	62,979	34,964	152,460	250,403

Staff loans	2024			
	Stage 1	Stage 2	Stage 3	
	12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Loss allowance as at 1 January	184,024	-	125,652	309,676
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	(14,253)	-	14,253	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	212,990	2,412	22,346	237,748
Financial assets derecognised	(32,867)	-	-	(32,867)
Write -offs	-	-	-	-
Other changes*	(57,910)	-	(11,366)	(69,276)
Loss allowance as at 31 December	291,984	2,412	150,885	445,281

*Other changes mainly comprise of foreign exchange retranslation differences on foreign currency denominated exposures, changes arising from ECL model updates (including macroeconomic overlays, LGD revisions and changes in forward looking macro-economic assumptions) that did not result in stage transfers.

The following table further explains changes in the gross carrying amounts of loans and advances within the various product segments to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

Long term loans2025				
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	498,229,023	232,494,953	97,107,014	827,830,990
Transfers:				
Transfer from Stage 1 to Stage 2	(84,497,191)	84,497,191		-
Transfer from Stage 1 to Stage 3	(2,244,729)	-	2,244,729	-
Transfer from Stage 2 to Stage 1	28,333,538	(28,333,538)	-	-
Transfer from Stage 2 to Stage 3	-	(7,852,983)	7,852,983	-
Transfer from Stage 3 to Stage 1	952,728	-	(952,728)	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	97,247,160	2,707,732	-	99,954,892
Financial assets derecognised	(261,280)	(23,353,968)	(1,288,683)	(24,903,931)
Write -offs	-	-	-	-
Other changes*	(92,489,137)	55,746,106	2,952,872	(33,790,159)
Carrying amount as at 31 December	445,270,112	315,905,493	107,916,187	869,091,792

Long term loans2024				
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	576,510,524	108,744,210	113,102,004	798,356,738
Transfers:				
Transfer from Stage 1 to Stage 2	(13,815,557)	13,815,557		-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	1,321,144	(1,321,144)	-	-
Transfer from Stage 2 to Stage 3	-	(245,272)	245,272	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	246,436	(246,436)	-
Additional disbursements	16,518,958	2,377,205	143,513	19,039,676
Financial assets derecognised	(23,295,215)	(3,503,066)	(3,490,136)	(30,288,417)
Write -offs	-	-	(13,804,325)	(13,804,325)
Other changes*	(59,010,831)	112,381,027	1,157,122	54,527,318
Carrying amount as at 31 December	498,229,023	232,494,953	97,107,014	827,830,990

Medium term loans2025				
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	215,909,189	178,678,875	32,577,585	427,165,791
Transfers:				
Transfer from Stage 1 to Stage 2	(89,726,504)	89,726,504		-
Transfer from Stage 1 to Stage 3	(2,863,620)	-	2,863,620	-
Transfer from Stage 2 to Stage 1	4,631,346	(4,631,346)	-	-
Transfer from Stage 2 to Stage 3	-	(20,564,347)	20,564,347	-
Transfer from Stage 3 to Stage 1	2,140,922	-	(2,140,922)	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	45,022,101	10,167,978	126,998	55,317,077
Financial assets derecognised	(1,359,844)	(1,229,542)	(1,488,818)	(4,078,204)
Write -offs	-	-	-	-
Other changes*	14,448,293	(9,077,664)	349,840	5,720,469
Carrying amount as at 31 December	188,201,883	243,070,458	52,852,650	484,124,991

Medium term loans2024				
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	264,658,503	81,511,714	25,078,367	371,248,584
Transfers:				
Transfer from Stage 1 to Stage 2	(5,893,140)	5,893,140		-
Transfer from Stage 1 to Stage 3	(1,947,800)	-	1,947,800	-
Transfer from Stage 2 to Stage 1	2,719,185	(2,719,185)	-	-
Transfer from Stage 2 to Stage 3	-	(245,272)	245,272	-
Transfer from Stage 3 to Stage 1	174,467	-	(174,467)	-
Transfer from Stage 3 to Stage 2	-	37,269	(37,269)	-
Additional disbursements	64,482,407	3,768,564	1,352,466	69,603,437
Financial assets derecognised	(2,808,452)	(2,106,035)	(3,343,774)	(8,258,261)
Write -offs	-	-	(2,528,078)	(2,528,078)
Other changes*	(105,475,981)	92,538,680	10,037,268	(2,900,033)
Carrying amount as at 31 December	215,909,189	178,678,875	32,577,585	427,165,649

Trade finance loans2025				
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	102,035,805	34,194,390	32,550,319	168,780,514
Transfers:				
Transfer from Stage 1 to Stage 2	-	-		-
Transfer from Stage 1 to Stage 3	-	-		-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	72,332,296	15,041,706		87,374,002
Financial assets derecognised	(68,746,810)	(6,688,948)	(95,181)	(75,530,939)
Write -offs	-	-	-	-
Other changes*	(33,218,224)	(3,787,968)	(1,246,653)	(38,252,845)
Carrying amount as at 31 December	72,403,067	38,759,180	31,208,485	142,370,732

Trade finance loans	2024			
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	104,535,138	30,875,902	34,877,943	170,288,983
Transfers:				
Transfer from Stage 1 to Stage 2	100,557	(100,557)		-
Transfer from Stage 1 to Stage 3	-	-		-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	101,467,132	8,374,519		109,841,651
Financial assets derecognised	(77,540,819)	(30,875,902)	(1,399,235)	(109,815,956)
Write -offs	-	-	(805,937)	(805,937)
Other changes*	(26,526,203)	25,920,428	(122,452)	(728,227)
Carrying amount as at 31 December	102,035,805	34,194,390	32,550,319	168,780,514

Working capital loans	2025			
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	75,027,487	47,182,677	53,211,225	175,421,388
Transfers:				
Transfer from Stage 1 to Stage 2	(7,309,312)	7,309,312		-
Transfer from Stage 1 to Stage 3	(40,402)	-	40,402	-
Transfer from Stage 2 to Stage 1	7,648,192	(7,648,192)	-	-
Transfer from Stage 2 to Stage 3	-	(3,383,871)	3,383,871	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	95,478,805	7,459,698	-	102,938,503
Financial assets derecognised	(29,129,456)	(6,978,869)	(624,070)	(36,732,395)
Write -offs	-	-	-	-
Other changes	(18,196,274)	(3,442,114)	(823,094)	(22,461,482)
Carrying amount as at 31 December	123,479,039	40,498,641	55,188,334	219,166,014

Working capital loans	2024			
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	131,291,287	24,109,876	55,642,865	211,044,028
Transfers:				
Transfer from Stage 1 to Stage 2	(545,839)	545,839		-
Transfer from Stage 1 to Stage 3	(10,096)	-	10,096	-
Transfer from Stage 2 to Stage 1	1,424,901	(1,424,901)	-	-
Transfer from Stage 2 to Stage 3	-	(220,576)	220,576	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	(1,037,287)	1,037,287	-
Additional disbursements	29,559,286	16,722,207	463,101	46,744,594
Financial assets derecognised	(38,397,815)	(2,132,192)	(3,366,988)	(43,896,995)
Write -offs	-	-	(11,467,508)	(11,467,508)
Other changes*	(48,294,238)	10,619,711	10,671,796	(27,002,731)
Carrying amount as at 31 December	75,027,486	47,182,677	53,211,225	175,421,388

Special programs	2025			
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	26,209,393	7,614,988	11,012,005	44,836,386
Transfers:				
Transfer from Stage 1 to Stage 2	(9,321,158)	9,321,158		-
Transfer from Stage 1 to Stage 3	(2,759,520)	-	2,759,520	-
Transfer from Stage 2 to Stage 1	1,137,998	(1,137,998)	-	-
Transfer from Stage 2 to Stage 3	-	(2,535,240)	2,535,240	-
Transfer from Stage 3 to Stage 1	147,840	-	(147,840)	-
Transfer from Stage 3 to Stage 2	-	252,727	(252,727)	-
Additional disbursements	10,877,076	4,814,744	284,222	15,976,041
Financial assets derecognised	(853,820)	(539,631)	(874,595)	(2,268,046)
Other changes*	(1,428,636)	(1,586,622)	(177,730)	(3,193,988)
Carrying amount as at 31 December	24,009,173	16,204,126	15,138,095	55,351,394

Special programs	2024			
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	20,394,544	6,336,842	6,314,489	33,045,875
Transfers:				
Transfer from Stage 1 to Stage 2	(63,744)	63,744		-
Transfer from Stage 1 to Stage 3	(216,054)	-	216,054	-
Transfer from Stage 2 to Stage 1	(195,125)	195,125	-	-
Transfer from Stage 2 to Stage 3	-	104,782	(104,782)	-
Transfer from Stage 3 to Stage 1	(179,222)	-	179,222	-
Transfer from Stage 3 to Stage 2	-	(517,370)	517,370	-
Additional disbursements	11,918,790	2,954,513	309,877	15,183,180
Financial assets derecognised	(668,720)	(59,178)	(57,587)	(785,485)
Other changes*	(4,781,076)	(1,463,470)	3,637,362	(2,607,184)
Carrying amount as at 31 December	26,209,393	7,614,988	11,012,005	44,836,386

Staff loans	2025			
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	20,428,821	96,365	789,415	21,295,001
Transfers:				
Transfer from Stage 1 to Stage 2	(310,783)	310,783		-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	9,431,658	364,677	-	9,796,335
Financial assets derecognised	(5,303,551)	(10,840)	-	(5,314,391)
Other changes*	(903,785)	(10,807)	(785)	(915,377)
Carrying amount as at 31 December	23,342,360	730,578	788,630	24,861,568

Staff loans	2024			
	Stage 1	Stage 2	Stage 3	Total
	Carrying amounts			
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Carrying amount as at 1 January	18,752,389	-	461,380	19,213,769
Transfers:				
Transfer from Stage 1 to Stage 2	(19,601)	19,601		-
Transfer from Stage 1 to Stage 3	(4,067)	-	4,067	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Additional disbursements	4,373,583	2,100	262,646	4,638,329
Financial assets derecognised	(1,522,910)	-	-	(1,522,910)
Other changes*	(1,150,573)	74,665	61,322	(1,014,586)
Carrying amount as at 31 December	20,428,821	96,365	789,415	21,295,001

* Other changes mainly comprise of foreign exchange retranslation differences on foreign currency denominated exposures, changes arising from ECL model updates (including macroeconomic overlays, LGD revisions and changes in forward looking macro-economic assumptions) that did not result in stage transfers

From a risk management point of view, once an asset is modified due to financial difficulties of the borrower, the bank's credit risk department continues to monitor the exposure until it exits forbearance, i.e., it is either cured or completely and ultimately derecognized.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Bank.

	2025	2024
	Ushs '000	Ushs '000
Net modification gain/ loss	(802,151)	15,568,210

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period:

	Post modification		Pre-modification	
	Gross carrying amount	Corresponding ECL	Gross carrying amount	Corresponding ECL
31 December 2025	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Facilities that have cured since modification and are now measured using 12-months ECL	30,139,450	98,445	179,791,374	2,127,787
Facilities that reverted to lifetime ECL having once cured	234,926,428	32,173,375	38,409,241	483,745
31 December 2024				
Facilities that have cured since modification and are now measured using 12-months ECL	120,010,734	1,213,604	196,474,660	8,855,977
Facilities that reverted to lifetime ECL having once cured	13,006,903	1,278,783	50,607,683	10,792,094

Collateral security held and other enhancements.

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are landed property.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

A portion of the Bank's financial assets originated by the business units has sufficiently low 'loan to value' ratios, which results in no loss allowance being recognised in accordance with the Bank's expected credit loss model.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. The secured credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross Exposure	Impairment allowance	Carrying Amount	Fair Value of collateral held
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Long term loans	869,161,965	81,783,858	787,378,107	2,425,700,945
Medium term loans	484,125,133	19,749,345	464,375,788	912,193,248
Trade finance loans	142,301,145	1,010,201	141,290,944	270,286,431
Working capital loans	219,165,799	10,417,237	208,748,563	799,057,131
Special programs	55,350,881	2,653,769	52,697,112	97,684,982
Total Credit Impaired Assets	1,770,104,923	115,614,410	1,654,490,513	4,504,922,737

Exposure to credit risk

The tables below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates, and the net exposure to credit risk.

As at 31 December 2025		Fair value of collateral and credit enhancements held					
	Maximum exposure to credit risk	Cash	Real estate properties	Others	Total collateral	Net exposure	Associated ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Short term deposits with financial institutions	34,648,174	-	-	-	-	34,648,174	38,326
Deposits held in banks	429,679,312	-	-	-	-	429,679,312	422,764
Other financial investments	11,982,803	-	-	-	-	11,982,803	-
Loans and advances to customers	1,770,104,923	285,485,820	3,025,361,087	1,194,075,831	4,504,922,737	-	115,614,410
	2,246,415,212	285,485,820	3,025,361,087	1,194,075,831	4,504,922,737	476,310,289	116,075,500

As at 31 December 2024		Fair value of collateral and credit enhancements held					
	Maximum exposure to credit risk	Cash	Real estate properties	Others	Total collateral	Net exposure	Associated ECLs
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Short term deposits with financial institutions	15,209,124	-	-	-	-	15,209,124	11,710
Deposits held in banks	89,302,730	-	-	-	-	89,302,730	61,923
Other financial investments	3,533,797	-	-	-	-	3,533,797	-
Loans and advances to customers	1,644,034,926	140,974,095	2,986,340,707	1,112,370,161	4,239,684,963	-	86,658,140
	<u>1,752,080,577</u>	<u>140,974,095</u>	<u>2,986,340,707</u>	<u>1,112,370,161</u>	<u>4,239,684,963</u>	<u>108,045,651</u>	<u>86,731,773</u>

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. Explanation of the terms ‘Stage 1’, ‘Stage 2’ and ‘Stage 3’ is included under Note 21(g) of the financial statements.

2025				
	Stage 1	Stage 2	Stage 3	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Loans and advances at amortised cost	853,433,495	654,337,660	262,333,768	1,770,104,923
Loss allowance	(17,281,457)	(43,676,680)	(54,656,274)	(115,614,410)
Interest income on stage 3	-	-	(12,001,275)	(12,001,275)
Modification loss	-	-	-	(8,776,180)
Carrying amount	<u>836,152,039</u>	<u>610,660,980</u>	<u>195,676,219</u>	<u>1,633,713,058</u>
Staff loans and advances	23,330,893	750,179	780,497	24,861,569
Loss allowance	(62,979)	(34,964)	(152,460)	(250,403)
Carrying amount	<u>23,267,913</u>	<u>715,215</u>	<u>628,037</u>	<u>24,611,165</u>

2024				
	Stage 1	Stage 2	Stage 3	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Loans and advances at amortised cost	917,266,143	500,065,644	226,703,139	1,644,034,926
Loss allowance	(15,407,174)	(34,232,068)	(37,018,897)	(86,658,139)
Interest income on stage 3	-	-	(8,807,587)	(8,807,587)
Modification loss	-	-	-	(16,120,655)
Carrying amount	<u>901,858,969</u>	<u>465,833,576</u>	<u>180,876,655</u>	<u>1,532,448,545</u>
Staff loans and advances	20,417,355	96,366	781,281	21,295,001
Loss allowance	(291,984)	(2,412)	(150,885)	(445,281)
Carrying amount	<u>20,125,371</u>	<u>93,954</u>	<u>630,396</u>	<u>20,849,721</u>

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank’s historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- The Bank uses the criteria for determining whether there has been a significant increase in credit risk: quantitative test based on the days past due; and
- qualitative indicators.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by sector, by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined after considering the grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Incorporating forward looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates three economic scenarios: base case scenario assigned a 50% probability of occurring, downside scenario assigned a 30% probability of occurring and optimistic scenario which is assigned a 20% probability of occurring. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. Different scenario weights can be set to reflect the Bank's view of the future.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are GDP and debt service ratio.

The economic scenarios used as at 31 December 2025 included the following key indicators for Uganda for four years up to 31 December 2029.

Scenario	2026	2027	2028	2029
Base	11.70%	14.04%	14.14%	14.19%
Upside	11.81%	14.15%	14.25%	14.30%
Downside	11.60%	13.93%	14.03%	14.08%
FLI overlay	82.54%	99.05%	99.76%	100.11%

B. MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective of Uganda Development Bank Limited's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the Bank's mission.

A principal part of the Bank's management of market risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling) and the sensitivity of future earnings and capital to varying foreign exchange rates. Uganda Development Bank aims, through its management of market risk, to mitigate the impact of prospective interest rate movements and foreign exchange fluctuations which could reduce future earnings and capital.

For simulation modelling, the Bank uses a combination of scenarios relevant to local businesses and local markets. These scenarios are used to illustrate the effect on Bank's earnings and capital.

i. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Bank is exposed to various risks associated with the effect of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. Management closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes. The interest rate risks sensitivity analysis is based on the following assumptions:

- Changes in the market interest rates affect the interest income or expenses on financial instruments with variable interest rates.
- Changes in market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognised at their fair value;
- The interest rate changes will have a significant effect on interest sensitive assets and liabilities and hence simulation modelling is applied to net interest margins.
- The interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged.
- The projections make other assumptions including that all positions run to maturity.
- The currency risk sensitivity analysis is based on the assumption that all net currency positions are highly effective.
- The base currency in which the Bank's business is transacted is Uganda Shillings.

The table below sets out the impact on future net interest income of an incremental 10% parallel fall or rise in all yield curves at the beginning of each quarter during the 12 months from 1 January 2024. Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

	Change in rate	2025	2024
		Ushs'000	Ushs'000
Effect on profit before tax	+10%	182,870,737	147,084,103
Effect on equity	+10%	128,009,516	102,958,872
Effect on profit before tax	-10%	(182,870,737)	(147,084,103)
Effect on equity	-10%	(128,009,516)	(102,958,872)

The Bank is exposed to various risks associated with the effects of fluctuations of the levels of prevailing market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table below are the Bank's interest-bearing assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Bank does not bear an interest rate risk on off statement of financial position items.

	Up to 1yr	1 to 3yrs	3 to 5yrs	Over 5yrs	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
31 December 2025					
Financial assets					
Deposits held with banks	429,679,312	-	-	-	429,679,312
Loans and advances	322,813,397	331,841,815	284,751,647	694,306,199	1,633,713,058
Staff loans and advances	136,134	1,246,420	850,048	11,985,071	14,217,673
Other assets (Convertible notes)	-	1,213,041	-	7,874,535	9,087,576
Total financial assets	752,628,843	334,301,276	285,601,695	714,165,806	2,086,697,619
Financial liabilities					
Borrowings	28,372,594	76,339,739	91,528,676	61,749,239	257,990,248
Total financial liabilities	28,372,594	76,339,739	91,528,676	61,749,239	257,990,248
Interest rate gap	724,256,248	257,961,537	194,073,019	652,416,567	1,828,707,371

	Up to 1yr	1 to 3yrs	3 to 5yrs	Over 5yrs	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
31 December 2024					
Financial assets					
Deposits held with banks	89,302,730	-	-	-	89,302,730
Loans and advances	343,919,343	213,922,590	330,915,474	643,691,138	1,532,448,545
Staff loans and advances		887,119	527,498	9,291,766	10,884,779
Other assets (Convertible notes)	-	-	-	5,848,834	5,848,834
Total financial assets	433,400,469	214,809,709	331,442,972	658,831,738	1,638,484,888
Financial liabilities					
Borrowings	35,404,489	60,574,616	44,827,129	20,988,795	161,795,029
Total financial liabilities	35,404,489	60,574,616	44,827,129	20,988,795	161,795,029
Interest rate gap	397,995,980	154,235,093	286,615,843	637,842,943	1,476,689,859

ii. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's functional currency is the Uganda Shilling (Ushs) and funding, income and expenses are largely denominated in this currency. As a result, it is exposed to foreign exchange risks arising from various currencies primarily the US Dollar. Foreign exchange risk largely arises from recognised financial assets and certain liabilities. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies. Foreign exchange exposure is reviewed on a regular basis by management.

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign denominated balances as at 31 December 2025.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

As at 31 December 2025

		Effect on profit before tax	Effect on equity
Currency	Change in rate	Ushs'000	Ushs'000
USD	+10%	20,269,923	14,188,946.17
EUR	+10%	2,204,930	1,543,451.14
GBP	+10%	30	21
USD	-10%	(20,269,923)	(14,188,946.17)
EUR	-10%	(2,204,930)	(1,543,451.14)
GBP	-10%	(30)	(21)

As at 31 December 2024

		Effect on profit before tax	Effect on equity
Currency	Change in rate	Ushs'000	Ushs'000
USD	+10%	11,222,444	7,855,711
EUR	+10%	31	22
GBP	+10%	35	24
USD	-10%	(11,222,444)	(7,855,711)
EUR	-10%	(31)	(22)
GBP	-10%	(35)	(24)

The Bank's currency position is as follows:

	US Dollars	Euro	GBP	Total
31 December 2025	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Assets				
Cash and cash equivalents	5,792,973	2,358	300	5,795,631
Deposits held in banks	109,869,594	-	-	109,869,594
Other assets	1,825,591	-	-	1,825,591
Loans and advances	336,073,883	-	-	336,073,883
Total assets	453,562,041	2,358	300	453,564,699
Liabilities				
Other liabilities	14,924,222	-	-	14,924,222
Borrowings	235,938,588	22,051,660	-	257,990,248
Total liabilities	250,862,810	22,051,660	-	272,914,470
Currency exposure gap	202,699,231	(22,049,302)	300	180,650,229
31 December 2024				
Assets				
Cash and cash equivalents	1,292,432	309	347	1,293,088
Deposits held in banks	1,170,059	-	-	1,170,059
Other assets	747,596	-	-	747,596
Loans and advances	281,343,488	-	-	281,343,488
Total assets	284,553,575	309	347	284,554,231
Liabilities				
Other liabilities	10,534,110	-	-	10,534,110
Borrowings	161,795,029	-	-	161,795,029
Total liabilities	172,329,139	-	-	172,329,139
Currency exposure gap	112,224,436	309	347	112,225,092

iii. Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The Bank's equity shares are susceptible to market price risk arising from uncertainties about future values of the investment stock prices. The Bank manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Bank's senior management on a regular basis. The Bank's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to equity securities at fair value was Ushs 106 million. An increase and a decrease of 10% in the share prices could have the following impact on the statement of comprehensive income:

Change		Effect on profit before tax	
Year-end share price		2025	2024
		Ushs'000	Ushs'000
KENGEN	+10%	166	67
Uganda Clays Ltd	+10%	-	9,133
The New Vision Ltd	+10%	<u>1,389</u>	<u>1,418</u>
KENGEN	-10%	(166)	(67)
Uganda Clays Ltd	-10%	-	(9,133)
The New Vision Ltd	-10%	<u>(1,389)</u>	<u>(1,418)</u>

Change		Effect on equity	
Year-end share price		2025	2024
		Ushs'000	Ushs'000
KENGEN	+10%	166	67
Uganda Clays Ltd	+10%	-	9,133
The New Vision Ltd	+10%	<u>1,389</u>	<u>1,418</u>
KENGEN	-10%	(66)	(67)
Uganda Clays Ltd	-10%	-	(9,133)
The New Vision Ltd	-10%	<u>(1,389)</u>	<u>(1,418)</u>

C. LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms.

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for financial institutions to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses. The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates. The Bank maintains adequate resources to meet its obligations.

Source of funding

The Bank maintains a diversified and stable funding base comprising from Development partners. The Bank also obtains periodic funding from the Government of Uganda.

Management of the liquidity risk

The Bank's approach of managing liquidity is to ensure that as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

In order to manage liquidity risk, the Bank invests its surplus reserves in time deposits with maturities concentrated in short term maturity of one to three months.

	Up to 1 month	1-3 months	3-6 months	6- 12 months	1-3yrs	3-5yrs	Over 5yrs	Contractual cash-flows	Carrying Amount
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs'000
31 December 2025									
Financial assets									
Cash and cash equivalents	34,648,174	-	-	-	-	-	-	34,648,174	34,648,174
Deposits held in banks	72,400,000	65,000,000	18,000,000	274,279,312	-	-	-	429,679,312	429,679,312
Loans and advances	-	38,286,248	66,147,093	219,866,579	395,436,003	378,136,292	1,129,880,683	2,227,752,898	1,633,713,058
Staff loans and advances*	-	23,392	41,682	105,456	1,362,316	1,003,336	37,290,660	39,826,841	24,611,165
Other financial investments	-	-	-	-	-	-	11,982,803	11,982,803	11,982,803
Other assets	-	-	8,234,951	-	-	1,152,011	21,912,692	31,299,654	31,299,654
Total financial assets	107,048,174	103,309,640	92,423,725	494,251,347	396,798,319	380,291,639	1,189,084,036	2,763,206,879	2,165,934,166
Financial liabilities									
Amounts due to Bank of Uganda	-	-	1,416,766	1,569,243	609,910	609,910	980,210	5,186,039	5,186,039
Other liabilities	12,666,487	-	13,904,075	6,679,700	-	-	-	33,250,262	33,250,262
Lease Liabilities				230,764	246,332	144,661	175,182	796,939	503,991
Borrowings	10,844,499	1,988,907	10,038,650	21,009,241	108,952,044	84,269,545	42,325,881	279,428,766	257,990,248
European Grant	-	-	-	779,487	-	-	-	779,487	779,487
UNCDF Fund	-	-	-	-	-	-	8,340,627	8,340,627	8,340,627
Total financial liabilities	23,510,986	1,988,907	25,359,491	30,268,435	109,808,286	85,024,116	43,481,273	319,441,493	306,050,654
Net liquidity gap	83,537,188	101,320,733	67,064,234	463,982,912	286,990,032	295,267,523	1,145,602,763	2,443,765,386	1,859,883,512

* The carrying amount excludes the recognised discount on the staff loans.

	Up to 1 month	1-3 months	3-6 months	6- 12 months	1-3yrs	3-5yrs	Over 5yrs	Contractual cash-flows	Carrying Amount
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs'000
31 December 2024									
Financial assets									
Cash and cash equivalents	15,209,124	-	-	-	-	-	-	15,209,124	15,209,124
Deposits held in banks	40,621,491	48,681,238	-	-	-	-	-	89,302,730	89,302,730
Loans and advances	-	2,541,653	18,081,527	181,704,143	135,281,248	253,465,513	1,446,895,639	2,037,969,723	1,532,448,545
Staff loans and advances*	-	18,333	-	60,530	1,095,508	134,493	32,667,120	33,975,984	20,849,720
Other financial investments	-	-	-	-	-	-	9,842,340	9,842,340	3,533,797
Other assets	85,814	-	2,962,284	-	1,971,579	-	17,260,505	22,280,180	22,280,180
Total financial assets	55,916,429	51,241,224	21,043,811	181,764,673	138,348,335	253,600,006	1,506,665,604	2,208,580,080	1,683,624,096
Financial liabilities									
Amounts due to Bank of Uganda	1,578,730	-	1,387,723	1,387,723	3,385,356	914,862	914,865	9,569,258	9,569,258
Other liabilities	10,965,698	-	-	6,959,828	14,501,400	304,414	-	32,731,340	32,731,340
Lease Liabilities				192,303	269,147	131,448	250,973	843,871	546,835
Borrowings	11,463,168	9,366,871	11,212,949	9,133,226	75,188,093	54,864,013	28,643,099	199,871,419	161,795,029
European Grant	-	-	-	-	-	-	4,287,146	4,287,146	4,287,146
UNCDF Fund	-	-	-	-	-	-	7,992,915	7,992,915	7,992,915
Total financial liabilities	24,007,596	9,366,871	12,600,672	17,673,080	93,343,996	56,214,737	42,088,998	255,295,950	216,922,523
Net liquidity gap	31,908,833	41,874,353	8,443,139	164,091,593	45,004,339	197,385,269	1,464,576,606	1,953,284,130	1,466,701,573

* The carrying amount excludes the recognised discount on the staff loans.

6. USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2025 is set out below:

Recognition and measurement of provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of an amount can be made. The Bank’s contingent liabilities have been disclosed in Note 41 of the financial statements.

Impairment of loans and advances

Assets accounted for at amortised cost are evaluated for impairment on the basis described in note 4 (d).

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments and;
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Useful life of property and equipment (Note 4(i))

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Revaluation of buildings (Note 4(ii))

The freehold land and buildings categories of property and equipment are measured at revalued amounts. The fair value is determined based on the cost of equivalent properties obtained by summing up all the components of the building structure and other improvements.

Income tax (Note 4 (g))

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

Valuation of property and equipment

The Bank measures its property and equipment at fair value with the changes in the fair value recognised in profit or loss and other comprehensive income. These are valued with reference to market-based evidence, using comparable prices adjusted for specific market factors such as location, condition of the asset.

For the year ended 31 December 2024, the Bank engaged an independent valuation specialist to determine the fair value of its land and buildings. No revaluation of land and buildings was undertaken during the current year, in line with the Bank’s policy to conduct revaluations every after three years. The carrying amounts of property and equipment are disclosed in note 26 to the financial statements.

7. FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instruments.

Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Bank’s current valuation techniques include comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes.

Fair value hierarchy

31 December 2025	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Ushs ‘000	Ushs ‘000	Ushs ‘000
Assets measured at fair value				
Equity investments	31 Dec 2025	15,543	-	1,655,367
Freehold land	31 Dec 2024	-	-	8,177,000
Buildings	31 Dec 2024	-	-	49,042,565

31 December 2024	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Ushs ‘000	Ushs ‘000	Ushs ‘000
Assets measured at fair value				
Equity investments	31 Dec 2024	106,171	-	1,655,367
Freehold land	31 Dec 2024	-	-	8,177,000
Buildings	31 Dec 2024	-	-	50,067,012

There were no transfers between level 1 and level 2 during 2025 or 2024. The fair value of the financial assets and liabilities is included at the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
 - In the absence of a principal market, in the most advantageous market for the asset or liability.
- Other fair value related disclosures for assets that are measured at fair value are in Notes 19, 22 and 23.
- The following methods and assumptions were used to estimate the fair values:
- The fair values of the equity investments are based on price quotations at the reporting date.
 - The fair value of the investment property has been estimated using the depreciated replacement value of a similar storied building. The valuation requires management to make certain assumptions such as building costs in the country, the high values of prime land around the central business area in the city and the subsequent high rentals in the locality.
 - The fair value of the Bank's leasehold land and buildings was estimated based on the replacement and depreciated replacement values of similar assets within the same locality.

Fair value versus carrying amounts of financial assets and liabilities carried at amortised cost. The carrying amounts of financial assets and liabilities shown in the statement of financial position are analysed as follows.

	31 December 2025 Carrying amount	31 December 2024 Carrying amount
	Ushs '000	Ushs '000
Financial assets		
Cash and cash equivalents	34,648,174	15,209,124
Deposits held in banks	429,679,312	89,302,730
Equity investments	1,670,910	1,761,538
Other financial investments	11,982,803	3,533,797
Loans and advances	1,633,713,058	1,532,448,545
Staff loans and advances	14,217,673	10,884,779
Other assets	31,299,654	22,280,181
Total financial assets	2,157,211,584	1,675,420,694
	31 December 2025 Carrying amount	31 December 2024 Carrying amount
	Ushs '000	Ushs '000
Financial liabilities		
Amounts due to Bank of Uganda	5,186,039	9,569,258
Borrowings	257,990,248	161,795,029
European Union	779,487	4,287,146
UNCDF Fund	8,340,627	7,992,915
Other liabilities	33,250,263	29,305,606
Lease liabilities	503,991	546,835
Total financial liabilities	306,050,655	213,496,789

The fair values of financial instruments not measured at fair value were determined as follows:

- i. Loans and advances to customers and staff loans: The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.
- ii. Borrowings and Kuwait Special Fund (KSF): The interest rate charged on borrowings held by the Bank is based on Weighted Average Cost of Capital (WACC) which indicates the return the Bank's stakeholders expect to receive, or other bases for determining market interest rates. The interest rates are variable and in line with market rates for similar facilities. The fair values of such interest-bearing borrowings not quoted in an active market are based on discounted cash flows using interest rates for similar facilities.
- iii. Amounts due to Bank of Uganda: The estimated fair value of amounts due to Bank of Uganda represent the discounted amount of estimated future cash flows expected to be repaid. Expected cash flows are discounted at current market rates to determine fair value.

Maturity analysis of assets and liabilities

31 December 2025	Statement of financial position amount	(Current) No more than 12 months after the reporting period	(Non-Current) More than 12 months after the reporting period
	Ushs '000	Ushs '000	Ushs '000
Assets			
Cash and bank balances	34,648,174	34,648,174	-
Deposits held in banks	429,679,312	429,679,312	-
Customer loans and advances	1,633,713,058	322,813,397	1,310,899,661
Staff loans and advances	14,217,673	136,134	14,081,539
Other assets	35,052,902	8,234,951	26,817,951
Equity investments	1,670,910	0	1,670,910
Other financial investments	11,982,803	-	11,982,803
Investments in associate	4,741,997	-	4,741,997
Property and equipment	70,265,908	-	70,265,908
Right of use of assets	655,684	-	655,684
Intangible assets	812,366	-	812,366
Deferred income tax asset	26,701,950	-	25,100,829
Total assets	2,264,142,737	795,511,968	1,468,630,769
Liabilities			
Amounts due to Bank of Uganda	5,186,039	2,986,009	2,200,030
STI-OP Fund	46,464,944	46,464,944	-
Other liabilities	56,962,064	33,250,263	23,711,801
Current income tax payable	1,214,881	1,214,881	-
Lease liability	503,991	230,764	273,227
Borrowings	257,990,248	43,881,297	214,108,951
European Union	779,487	779,487	-
UNCDF Fund	8,340,627	-	8,340,627
Total liabilities	377,442,281	128,807,645	248,634,636

31 December 2024	Statement of financial position amount	(Current) No more than 12 months after the reporting period	(Non-Current) More than 12 months after the reporting period
	Ushs '000	Ushs '000	Ushs '000
Assets			
Cash and bank balances	15,209,124	15,209,124	-
Deposits held in banks	89,302,730	89,302,730	-
Customer loans and advances	1,532,448,545	343,919,343	1,188,529,202
Staff loans and advances	10,884,779	178,396	10,706,383
Other assets	24,763,870	8,950,096	15,813,774
Current income tax recoverable	3,343,524	3,343,524	-
Equity investments	1,761,538	1,761,538	-
Other financial investments	3,533,797	-	3,533,797
Investments in associate	4,811,424	-	4,811,424
Property and equipment	69,748,567	-	69,748,567
Right of use of assets	748,799	-	748,799
Intangible assets	530,661	-	530,661
Deferred income tax asset	25,100,829	-	25,100,829
Total assets	1,782,188,187	461,009,384	1,321,178,804
Liabilities			
Amounts due to Bank of Uganda	9,569,258	4,354,175	5,215,083
STI-OP Fund	28,952,632	28,952,632	-
Other liabilities	56,976,985	17,925,527	39,051,458
Lease liability	546,835	192,303	354,532
Borrowings	161,795,029	35,404,489	126,390,540
European Union	4,287,146	-	4,287,146
UNCDF Fund	7,992,915	-	7,992,915
Total liabilities	270,120,800	86,829,126	183,291,674

8. INTEREST INCOME

Interest income calculated using the effective interest method	2025	2024
	Ushs'000	Ushs'000
Interest income on customer loans and advances	149,118,773	143,341,363
Interest on deposits held in banks	16,730,060	6,798,551
Interest on staff loans	1,904,176	1,645,218
	167,753,009	151,785,132
Other interest and similar income		
Appraisal fees on loans	2,529,386	2,447,196
Interest income on convertible notes	1,213,041	-
Penalty fee income on loans	2,613,928	3,085,114
Total interest income	6,356,355	5,532,310
	174,109,364	157,317,442

Included within interest income on loans and advances to customers is interest relating to credit-impaired financial assets of Ushs 12,001 million (2024: Ushs 8,808 million). The interest income reported above relates to financial instruments held at amortised cost only.

9. INTEREST AND SIMILAR EXPENSE

Interest expense calculated using the effective interest method.

	2025	2024
	Ushs'000	Ushs'000
Interest on borrowings	9,647,730	10,262,329
Interest expense on lease liabilities	16,087	36,197
Total interest expense	9,663,817	10,298,526

Included within interest on borrowings are amortised commitment fees charged on Arab Bank for Economic Development in Africa (BADEA), Islamic Development Bank (IDB), African Development Bank (AfDB), India Exim, Opec Fund for International Development and Islamic Corporation for Development lines of credit of Ushs 180 million (2024: Ushs 180 million).

10. NET FOREIGN EXCHANGE (LOSS)/GAIN

	2025	2024
	Ushs'000	Ushs'000
Net realized foreign exchange (loss)/gain	(545,958)	542,898
Net unrealized foreign exchange loss	(1,077,211)	(3,842,780)
	(1,623,169)	(3,299,882)

The unrealised component of exchange losses arises from translation of foreign denominated transactions and revaluation of US Dollar denominated assets and liabilities to Uganda Shillings as at year end. Financial assets and liabilities denominated in foreign currencies are translated into Uganda Shillings using the rate ruling at the reporting date. The exchange rate for US Dollars to Uganda Shillings as at 31 December 2025 was 1 USD/Ushs 3,620 (2024: 1 USD/ Ushs 3,673).

11. OTHER INCOME

	2025	2024
	Ushs'000	Ushs'000
Dividend income	1,152,011	-
Agency fees	224,194	246,082
Trade finance revenues	117,822	51,746
Other income*	186,351	375,054
	1,680,378	672,882

*Other income above is primarily comprised of loan restructuring fees earned by the Bank in line with the Bank's credit restructuring policy.

12. PERSONNEL EXPENSES

	2025	2024
	Ushs'000	Ushs'000
Salaries	26,091,509	23,493,667
Service gratuity	870,505	842,425
NSSF contributions	2,341,195	2,180,882
Staff provident fund contributions	1,388,096	1,262,287
Staff welfare	1,586,073	1,584,243
	32,277,378	29,363,504

The total number of employees as at 31 December 2025 was 144 (2024: 135).

13. DEPRECIATION AND AMORTIZATION

	Note	2025	2024
		Ushs'000	Ushs'000
Depreciation of property and equipment	26	2,737,148	1,515,918
Amortization of intangible assets	28	424,325	168,360
Amortization of right of use	27(a)	93,115	69,752
		3,254,588	1,754,030

14. OTHER OPERATING EXPENSES

	2025	2024
	Ushs'000	Ushs'000
Administration expenses*	4,776,219	4,311,025
Utilities and maintenance costs	3,750,798	3,893,286
Directors' emoluments	795,635	607,512
Other professional fees**	2,244,362	2,363,027
Business promotions and publicity	3,069,954	2,117,878
Travel and subsistence	2,988,083	2,121,584
Auditors' remuneration	207,414	163,659
Business advisory expenses	979,894	459,597
	18,812,359	16,037,568

*Administration expenses include costs such as insurance, meetings expenses, staff training and development, communications, bank charges, security, and fuel costs.

**Other professional fees expenses comprise of due diligence costs for intending borrowers, security perfection fees legal and tax consultancy fees.

15. PROFIT BEFORE TAX

	Note	2025	2024
		Ushs'000	Ushs'000
Profit before tax is stated after debiting :			
Depreciation of property and equipment	13	2,737,148	1,515,918
Amortization of intangible assets	13	424,325	168,360
Amortization of right of use	13	93,115	69,752
Directors' emoluments	43	795,635	607,512
Auditors' remuneration	14	207,414	163,659
Net foreign exchange loss	10	1,623,169	3,299,882

16. EARNINGS PER SHARE

	2025	2024
	Ushs'000	Ushs'000
Net profit attributable to ordinary equity holders of the Bank (Ushs)	63,417,156	57,816,620
Weighted average number of ordinary shares in issue during the year	1,207,073	878,359
Basic and diluted earnings per share (Ushs)	52.54	65.82

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The diluted earnings per share is the same as basic earnings per share as there were no potentially dilutive instruments outstanding at the end of the reporting period.

17. TAXATION

a) Income tax expense	2025	2024
	Ushs'000	Ushs'000
Income tax:		
Current income tax expense	29,830,052	25,536,220
Deferred income tax credit (Note 17(c))	(1,601,121)	(10,160,675)
	28,228,931	15,375,545

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Effective tax rate	2025	2024
		Ushs'000	Ushs'000
Profit before income tax		91,646,087	73,192,165
Tax calculated at the statutory rate	30%	27,493,826	21,957,650
Tax effect of:			
Expenses not deductible for tax purposes	0.8%	761,845	400,672
(Over)/Under provision in prior year current tax	0.03%	(26,740)	(878,798)
Capital gains on investment property derecognized	0%	-	(6,103,979)
	30.80%	28,228,931	15,375,545

b) Current income tax recoverable	2025	2024
	Ushs'000	Ushs'000
At 1 January	(3,343,524)	(1,748,063)
Charge for the year	29,830,052	25,536,220
Tax paid	(25,271,647)	(27,131,681)
At 31 December	1,214,881	(3,343,524)

c) Deferred tax asset

Deferred income tax is calculated in full, on all temporary differences under the liability method using a principal tax rate of 30% (2022: 30%). The movement in the deferred income tax liability is detailed below:

c) Deferred tax asset	2025	2024
	Ushs'000	Ushs'000
At the start of the year	(25,100,829)	(14,940,154)
Deferred tax credit to profit or loss	(1,601,121)	(10,160,675)
At the end of the year	(26,701,950)	(25,100,829)

Year ended 31 December 2025	At 1 January 2024	Charge/(credit) to profit or loss	At 31 December 2024
	Ushs'000	Ushs'000	Ushs'000
Deferred income tax liabilities/(assets)			
Accelerated depreciation	580,691	169,844	750,535
Provisions and unrealized losses	(25,765,498)	(1,770,965)	(27,536,463)
Capital gains/revaluation	83,978	-	83,978
Net deferred income tax asset	(25,100,829)	(1,601,121)	(26,701,950)

Year ended 31 December 2024	At 1 January 2024	Charge/(credit) to profit or loss	At 31 December 2024
	Ushs'000	Ushs'000	Ushs'000
Deferred income tax liabilities/(assets)			
Accelerated depreciation	291,455	289,236	580,691
Provisions and unrealized losses	(16,029,009)	(9,736,489)	(25,765,498)
Capital gains/revaluation	797,400	(713,422)	83,978
Net deferred income tax asset	(14,940,154)	(10,160,675)	(25,100,829)

18. CASH AND CASH EQUIVALENTS

	2025	2024
	Ushs'000	Ushs'000
Short term deposits with financial institutions	34,686,500	15,220,834
ECL allowance	(38,326)	(11,710)
	34,648,174	15,209,124

a. Movement in ECL allowance

	2025	2024
	Ushs'000	Ushs'000
At 1 January	11,710	19,028
Movement in ECL allowance	26,616	(7,318)
At 31 December	38,326	11,710

For the purposes of the statement of cash flows, cash and cash equivalents comprise of the following.

	2025	2024
	Ushs'000	Ushs'000
Short term deposits with financial institutions (Note 17)	34,648,174	15,209,124
Deposits held in banks (Note 19)	429,679,312	89,302,730
	464,327,486	104,511,854

19. DEPOSITS HELD IN BANKS

	2025	2024
	Ushs'000	Ushs'000
Time deposits	430,102,076	89,364,653
ECL allowance	(422,764)	(61,923)
At 31 December	429,679,312	89,302,730

The average effective interest rate was 11.9% for Uganda Shillings denominated investments (2024: 11.8%) and 4.1 % for USD denominated investments (2024: 3.4%).

The ECL allowance includes impairment assessed on the gross deposits held in banks, which consists of both principal and interest receivable.

The maturity analysis of the deposits held in banks is analysed as follows:

	2025	2024
	Ushs'000	Ushs'000
Amounts due within three months	137,400,000	89,302,730
	137,400,000	126,273,264

a. movement in ECL allowance

	2025	2024
	Ushs'000	Ushs'000
At 1 January	61,923	63,002
Movement in ECL allowance	360,841	(1,079)
	422,764	61,923

20. CUSTOMER LOANS AND ADVANCES

(a) Products	2025	2024
	Ushs'000	Ushs'000
Long term loans	869,091,792	827,830,990
Medium term loans	484,124,991	427,165,649
Trade finance loans	142,370,732	168,780,514
Working capital loans	219,166,014	175,421,388
Special programs	55,351,394	44,836,386
Gross advances	1,770,104,923	1,644,034,927
Less:		
Interest income on stage 3 loans	(12,001,275)	(8,807,587)
Modification losses	(8,776,180)	(16,120,655)
Expected credit loss allowance	(115,614,410)	(86,658,140)
	1,633,713,058	1,532,448,545

Included in the gross advances balance is interest receivable of Ushs 140,437 million (2024: 99,836 million) as summarized below:

	2025	2024
	Ushs'000	Ushs'000
Long term loans	69,998,893	64,761,786
Medium term loans	43,463,025	19,197,626
Trade finance loans	6,884,692	7,662,502
Working capital loans	17,913,095	14,958,024
Special programs	3,568,703	2,063,658
Total interest	141,828,408	108,643,596
Interest income on stage 3 loans	(12,001,275)	(8,807,587)
	129,827,133	99,836,009

(b) The maturity analysis of loans and advances to customers	2025	2024
	Ushs'000	Ushs'000
Less than one year	334,399,638	343,919,343
1- 5 years	771,913,764	544,838,064
Over 5 years	663,791,522	643,691,138
	1,770,104,923	1,532,448,545

Gross loans to customers by sector composition:				
SECTOR	EXPOSURE			
	2025		2024	
	Ushs'000	Percentage	Ushs'000	Percentage
Agro-Processing	382,967,267	22%	384,973,440	25%
Education Services	27,565,719	2%	20,334,678	1%
Health Care Services	146,403,300	8%	144,989,823	7%
Infrastructure	256,107,154	14%	258,029,342	16%
Manufacturing	425,560,850	24%	411,237,773	23%
Minerals, Oil & Gas	91,526,033	5%	25,905,371	2%
Primary Agriculture	258,712,483	15%	226,116,728	15%
Tourism & Hospitality	117,749,000	7%	118,355,931	7%
Others - Building, Construction and Real Estate	63,513,117	4%	54,091,841	4%
Grand total	1,770,104,923	100%	1,644,034,927	100%

The weighted effective interest rate on loans at 31 December 2025 was 7.70% (2024: 7.70%) for USD and 11.31% (2024: 11.29%) for Ushs.

(d) Movement in provision for impaired loans and advances		
	2025	2024
	Ushs'000	Ushs'000
At 1 January	102,778,795	107,359,108
Additional provisions raised during the year	28,956,270	8,456,326
Modification (gain)/loss during the year	(7,344,475)	15,568,210
Written off during the year	-	(28,604,849)
At 31 December	124,390,591	102,778,795

The charge to profit or loss in respect of the impairment of financial assets during the year is analysed below:

(e) Credit loss expense on financial assets	2025	2024
	Ushs'000	Ushs'000
Loans and advances		
Increase in allowance*	28,956,270	8,456,326
Increase in allowance for staff loans (Note 21)	(194,878)	135,605
Recoveries on loans and advances previously written off	-	(427,414)
Net modification (gain)/loss (Note 5(a))	(7,344,475)	15,568,210
Net charge relating to loans and advances	21,416,917	23,732,727
Other financial assets		
Provisions on off balance sheet items	(3,318,509)	280,085
Deposits held in banks (Note 19)	360,841	(1,079)
Cash and cash equivalents (Note 18)	26,616	(7,319)
	(2,931,052)	271,687
Total charge to profit or loss	18,485,865	24,004,414

* The increase in the current year credit expense on loans advances was attributed to growth in the loan book and the lower prior year credit expense was attributed to write offs of previously impaired loans and advances of Ushs 28,606 million in 2024.

21. STAFF LOANS AND ADVANCES

(a) Staff loans and advances	2025	2024
	Ushs'000	Ushs'000
Staff loans	24,861,568	21,295,001
Provision for impairment	(250,403)	(445,281)
Discount on staff loans marked to market*	(10,393,492)	(9,964,941)
	14,217,673	10,884,779

* The discount on staff loans marked to market relates to fair value adjustment arising on fair valuation of staff loans that are offered at concessional (below market) interest rates.

Included in staff loans and advances balance is interest receivable of Ushs 143 million (2024: Ushs110 million) as summarized below:

	2025	2024
	Ushs'000	Ushs'000
Staff Loans receivables	143,481	110,311

(b) The maturity analysis of gross loans and advances to staff	2025	2024
	Ushs'000	Ushs'000
Within three months	93,525	12,496
Between three and six months	43,249	18,925
Over six months	24,724,794	21,263,580
	24,861,568	21,295,001

Staff loans and advances include staff advances, staff personal loans, staff car loans and staff housing loans. Staff advances and some staff personal loans are unsecured and guaranteed by future staff salaries.

(c) Movement in provision for impaired staff loans and advances	2025	2024
	Ushs'000	Ushs'000
On 1 January	445,281	309,676
Increase/ reduction in provision	(194,878)	135,605
As at 31 December	250,403	445,281

22. OTHER ASSETS

	2025	2024
	Ushs'000	Ushs'000
Financial		
Convertible notes****	9,087,576	5,848,834
Dividends receivable*****	1,152,011	-
Other debtors**	10,666,575	6,466,405
Discount on staff loans marked to market	10,393,492	9,964,941
	31,299,654	22,280,180
Non-financial		
Prepayments	2,702,529	1,323,726
Security deposits*	198,739	198,739
Work in progress***	851,980	961,225
	3,753,248	2,483,690
	35,052,902	24,763,870

*Security deposits include a deposit to registrar of the high court in respect to UDBL vs KAI Limited case amounting to Ushs 14 million. The amount is refundable on condition that UDBL wins the case against Afro Kai Ltd.

**Other debtors include investment interest receivable and Msingi guarantee interest receivable.

***Work in progress includes leasehold improvements and software development.

**** The Bank invested in convertible notes. Although these instruments have equity-like features, they are structured to convert into debt at a specified future date. Once converted, they will be repaid by the issuer together with interest. In line with IAS 32, the Bank has classified these convertible notes as debt instruments

The movement in other assets in the statement of cashflows under operating activities excludes convertible notes. Convertible notes have been presented under investing activities in the statement of cashflows.

The table below shows the movement in convertible notes during the year.

	2025	2024
	Ushs'000	Ushs'000
On 01 January	5,848,834	4,698,628
Additions	2,025,701	1,150,206
Interest accrued	1,213,041	-
As at 31 December	9,087,576	5,848,834

**** The dividends relate to the redeemable preference shares that were invested in Bodawerk International Limited.

23. EQUITY INVESTMENTS

	Listing status	Ordinary	Original	Fair value	Fair value
		Shares	Cost	2025	2024
			Ushs'000	Ushs'000	Ushs'000
KENGEN	Listed	6,431	1,948	1,657	666
Uganda Clays Limited	Listed	10,147,335	538,036	-	91,326
The New Vision Limited	Listed	92,674	18,535	13,886	14,179
Chromatic Paints Limited	Unlisted	60	1,655,367	1,655,367	1,655,367
		10,246,500	2,213,886	1,670,910	1,761,538

Movement in number of shares

Sector/Industry		At 1 January 2025	At 31 December 2025	
		Opening Balance	Purchases /(Sales)	Closing Balance
KENGEN	Electric power	6,431	-	6,431
Uganda Clays Limited	Construction	10,147,335	(10,147,335)	-
The New Vision Limited	Publishing, Printing and Broadcasting	92,674	-	92,674
Chromatic Paints Limited	Construction and automative	60	-	60
		10,246,500	(10,147,335)	99,165

Sector/Industry		At 1 January 2024	At 31 December 2024	
		Opening Balance	Purchases /(Sales)	Closing Balance
KENGEN	Electric power	6,431	-	6,431
Uganda Clays Limited	Construction	10,147,335	-	10,147,335
The New Vision Limited	Publishing, Printing and Broadcasting	92,674	-	92,674
Chromatic Paints Limited	Construction and automative	60	-	60
		10,246,500	-	10,246,500

Movement in fair value of listed investments during the year ended 31 December 2025								
	2025 % in class	2024 % in class	2025% held	2024 % held	Opening Balance	Sale of Shares	Fair value gain/(loss)	Closing Balance
					Ushs'000	Ushs'000	Ushs'000	Ushs'000
KENGEN	0.6%	0.2%	0.1%	0.1%	666	-	991	1,657
Uganda Clays Limited	86.0%	90.1%	1.1%	1.1%	91,326	(64,149)	(27,177)	-
The New Vision Limited	13.4%	9.7%	0.1%	0.1%	14,179	-	(293)	13,886
					106,171	(64,149)	(26,479)	15,543

Movement in fair value of listed investment during the year ended 31 December 2024							
	2025 % in class	2024 % in class	2025% held	2024 % held	Opening Balance	Fair value gain/(loss)	Closing Balance
					Ushs'000	Ushs'000	Ushs'000
KENGEN	10.7%	0.6%	0.1%	0.1%	312	354	666
Uganda Clays Limited	0%	86.0%	0%	1.1%	131,915	(40,589)	91,326
The New Vision Limited	89.3%	13.4%	0.1%	0.1%	14,179	-	14,179
					146,406	(40,235)	106,171

Price per share	2025	2024
	Ushs	Ushs
Movement in price per share for listed investments	Closing	Closing
KENGEN	256.57	103.53
Uganda Clays Limited	-	9.00
The New Vision Limited	150.00	153.00

The listed equity investments are stated at fair value based on quoted market prices at the reporting date. The movement in the unlisted equity investments is summarized below. There were no material changes in the investments fair value compared to prior period.

	2025	2024
	Ushs '000	Ushs '000
As at 1 January	1,655,367	1,655,367
Additions	-	-
As at 31 December	1,655,367	1,655,367

24. OTHER FINANCIAL INVESTMENTS

	2025	2024
	Ushs '000	Ushs '000
At 1 January	3,533,797	-
Additions	8,449,006	3,533,797
At 31 December	11,982,803	3,533,797

The table below shows the details of other financial investments as at 31 December 2025.

Name of company	Amount in Ushs	Structure	Principal activity
Pelere Group Ltd	1,122,850,000	2000 preference shares each at Ugx 542,825.	Construction and equipping of shea nut processing factory
Bodawerk International Ltd	10,859,952,940	1,000 preference shares each at USD 3,000.	Motorcycle battery assembly parts and equipment

The above instruments relate to redeemable preference shares which are classified as debt instruments due to the presence of a fixed dividend rate and a predetermined maturity date. Accordingly, they are accounted for using the effective interest method and amortised over the Bank's holding period in accordance with IFRS 9 Financial Instruments.

25. INVESTMENT IN ASSOCIATE

Nature of the associate

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Bank	
			2025	2024
Brentec Investments Limited	The company is a biopharmaceutical company in Uganda that delivers biologics, and health solutions.	Plot 42A Mukabya Road, Nakawa Industrial Area	25%	25%
			2025	2024
			Ushs '000	Ushs '000
At 1 January			4,811,424	4,707,754
Additions during the year			-	103,670
Fx changes			<u>(69,427)</u>	<u>-</u>
At 31 December			<u>4,741,997</u>	<u>4,811,424</u>

As at 31 December 2025, the Bank had disbursed Ushs 4,811 million (2024: Ushs 4,811 million) to acquire 25% (2024: 25%) shareholding in Brentec investments Limited. The factory financed had not yet commenced operations as of 31 December 2025.

26. PROPERTY AND EQUIPMENT

	Freehold Land	Buildings	Furniture and fittings	Motor Vehicles	Computers	Capital Work in Progress	Lease hold Improvements	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
COST/VALUATION								
At 1 January 2024	7,558,000	1,292,012	1,475,538	2,484,185	3,902,949	37,201,151	-	53,913,835
Transfers from Capital work in progress	-	52,123,312	2,376,435	-	-	(54,499,747)	-	-
Additions	-	-	689,179	566,000	352,709	22,565,898	-	24,173,786
Revaluation gain/(loss)	<u>619,000</u>	<u>(2,902,314)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,283,314)</u>
At 31 December 2024	<u>8,177,000</u>	<u>50,513,010</u>	<u>4,541,152</u>	<u>3,050,185</u>	<u>4,255,658</u>	<u>5,267,302</u>	<u>-</u>	<u>75,804,307</u>
At 1 January 2025	8,177,000	50,513,010	4,541,152	3,050,185	4,255,658	5,267,302	-	75,804,307
Additions	<u>-</u>	<u>-</u>	<u>1,141,063</u>	<u>406,120</u>	<u>49,751</u>	<u>1,057,197</u>	<u>600,356</u>	<u>3,254,487</u>
At 31 December 2025	<u>8,177,000</u>	<u>50,513,010</u>	<u>5,682,215</u>	<u>3,456,305</u>	<u>4,305,409</u>	<u>6,324,499</u>	<u>600,356</u>	<u>79,058,794</u>
DEPRECIATION								
At 1 January 2024	-	243,508	698,048	1,378,237	2,220,029	-	-	4,539,822
Charge for the year	<u>-</u>	<u>202,489</u>	<u>209,486</u>	<u>332,327</u>	<u>771,616</u>	<u>-</u>	<u>-</u>	<u>1,515,918</u>
At 31 December 2024	<u>-</u>	<u>445,997</u>	<u>907,534</u>	<u>1,710,564</u>	<u>2,991,645</u>	<u>-</u>	<u>-</u>	<u>6,055,740</u>
At 1 January 2025	-	445,997	907,534	1,710,564	2,991,645	-	-	6,055,740
Charge for the year	<u>-</u>	<u>1,024,448</u>	<u>586,086</u>	<u>443,709</u>	<u>601,057</u>	<u>-</u>	<u>81,846</u>	<u>2,737,146</u>
At 31 December 2025	<u>-</u>	<u>1,470,445</u>	<u>1,493,620</u>	<u>2,154,273</u>	<u>3,592,702</u>	<u>-</u>	<u>81,846</u>	<u>8,792,886</u>
NET CARRYING AMOUNT								
At 31 December 2025	<u>8,177,000</u>	<u>49,042,565</u>	<u>4,188,595</u>	<u>1,302,032</u>	<u>712,707</u>	<u>6,324,499</u>	<u>518,510</u>	<u>70,265,908</u>
At 31 December 2024	<u>8,177,000</u>	<u>50,067,012</u>	<u>3,633,618</u>	<u>1,339,621</u>	<u>1,264,014</u>	<u>5,267,302</u>	<u>-</u>	<u>69,748,567</u>

In December 2023, investment in buildings was reclassified to property and equipment, triggered by the change in use arising from the commencement of refurbishment of UDB towers for majorly the Bank's occupancy which accounts for 53.67% of the total floor area. These were classified under capital work in progress and transferred to buildings when the bank occupied the premises on 01 November 2024.

The Bank measures its Land and Buildings using a revaluation approach. The revaluation is carried out every after 3 years and was last done for the year ended 31 December 2024 by independent professional valuers that are not related to the Bank. The revaluation loss on the buildings was recognised in other comprehensive income and debited to asset revaluation reserve in equity and is not available for distribution to the shareholders.

The bank's buildings comprise of two properties located on plots 441 in Munyonyo and Plot 22 on Hannington road Kampala City.

Had the assets been carried under the cost model, the carrying amount of the freehold land would be Ushs 4.69 billion and that of the buildings, Ushs 51.56 billion. This is disclosed below.

31 December 2025	Freehold Land	Buildings
	Shs'000	Shs'000
Cost	4,692,000	53,073,312
Accumulated depreciation	-	(1,508,580)
Net book amount	4,692,000	51,564,732

31 December 2024	Freehold Land	Buildings
	Shs'000	Shs'000
Cost	4,692,000	53,073,312
Accumulated depreciation	-	(447,114)
Net book amount	4,692,000	52,626,197

27(a). RIGHT OF USE ASSETS

	2025	2024
	Ushs '000	Ushs '000
Cost		
At the beginning of the year	828,371	589,213
Present value of the lease obligation	-	279,345
Initial direct costs	-	-
Remeasurement changes	-	(40,187)
At 31 December	828,371	828,371
Amortization		
At the beginning of the year	79,572	9,820
Charge for the year	93,115	69,752
At 31 December	172,687	79,572
Net carrying amount	655,684	748,799

27(b). LEASE LIABILITY

Set out below are the carrying amounts of lease liability and the movements during the period:

	2025	2024
	Ushs '000	Ushs '000
As at 1 January	546,835	404,115
Additions	-	279,345
Interest accretion	16,087	36,197
Principal payment	(16,477)	(81,878)
Interest paid	(42,454)	(50,757)
Remeasurement changes	-	(40,187)
As at 31 December	503,991	546,835

The Bank leases office space for its branches for which rental contracts are typically made of fixed average periods of three to ten years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Bank's control.

The maturity analysis for lease liabilities is disclosed below:

Maturity period	2025	2024
	Ushs '000	Ushs '000
Due within 1 year	230,764	192,303
Due within 1 to 5 years	273,227	354,532
As at 31 December	503,991	546,835

28. INTANGIBLE ASSETS

Cost	2025	2024
	Ushs'000	Ushs'000
At 1 January	3,640,930	3,064,624
Additions*	706,030	576,306
At 31 December	4,346,960	3,640,930
Amortization		
At 1 January	3,110,269	2,941,909
Charge for the year	424,325	168,360
At 31 December	3,534,594	3,110,269
Net carrying amount		
At 31 December	812,366	530,661

Intangible assets comprise the initial cost of the core banking system Rubikon, ERP Business central and other software.

**The increase in additions for intangible assets is attributed to the purchase of the bank's ERP Business central system as an integrated financial reporting system.*

29. AMOUNTS DUE TO BANK OF UGANDA

	2025	2024
	Ushs'000	Ushs'000
At 1 January	9,569,258	8,708,347
Drawn down during the year	-	2,439,641
Repayments during the year	(4,383,219)	(1,578,730)
At 31 December	5,186,039	9,569,258

The Agriculture Credit Fund (ACF) is a scheme set up by Government of Uganda (GoU) for supporting agricultural expansion and modernization in partnership with commercial banks and other qualifying financial institutions collectively referred to as Participating Financial Institutions (PFIs). The Government through Bank of Uganda, refinances, at no interest, 50% of the loan amount offered to qualifying agricultural projects.

30. STI-OP FUND

	2025	2024
	Ushs'000	Ushs'000
Balance as at 1 January	28,952,632	-
Funds received during the year	25,304,588	32,725,951
Disbursements from the fund	(7,792,276)	(3,773,319)
Balance as at 31 December	46,464,944	28,952,632

The Bank and the Science, Technology & Innovation Secretariat - Office of the President (STI-OP) entered into an agreement on 10 November 2023 where the Bank was appointed as a fund manager to receive, manage and disburse grant funds to the beneficiaries selected by STI-OP, strictly in accordance with the terms and conditions agreed between the Bank and STI-OP. The purpose of the fund is to foster science, research and innovation in Uganda. The expected outcome is to drive scientific and technological advancements, contribute to economic growth and foster social development in Uganda. As at 31 December 2025, the bank had received Ushs 25,305 million from STI-OP (2024: Ushs 32,726 million)

31. OTHER LIABILITIES

	2025	2024
	Ushs '000	Ushs '000
Financial		
Accruals and other liabilities*	11,373,086	10,965,698
Staff gratuity	543,288	455,660
Other creditors***	21,333,888	21,309,982
	33,250,262	32,731,340
Non-Financial		
Deferred arrangement fees**	19,648,367	16,205,679
Legal provisions	2,281,642	2,939,664
Expected credit loss provision on off balance sheet items	1,781,793	5,100,302
	23,711,802	24,245,645
	56,962,064	56,976,985

*The accrual and other liabilities balance includes trade creditors and accruals for the year ended 31 December 2025.

**Deferred arrangement fees represent fees received in relation to appraisal of projects. The bank charges intending borrowers project appraisal fees at the point of application to facilitate the bank's credit evaluation process. The deferred arrangement fees therefore represent appraisal fees charged on clients for which the appraisal process hasn't been completed.

***The other creditors balance includes loan payment account, client deposits pending, other taxes payable for the year ended 31 December 2025.

Staff gratuity

This represents outstanding/unpaid gratuity for employees on contract. The year-end accrual represents gratuity due to employees on contract at a rate of 25% (2024: 25%) of their total annual gross salary.

Movement in Provisions during the year.

Description	1 January 2025	Movement	31 December 2025
	Ushs'000	Ushs'000	Ushs'000
Staff gratuity	455,660	87,630,	543,290
Leave provision	297,508	(72,386)	225,122
Total	753,168	15,244	768,412

32. BORROWINGS

	2025	2024
	Ushs'000	Ushs'000
Arab Bank for Economic Development in Africa (BADEA Loan 0632)	10,075,564	10,938,232
Arab Bank for Economic Development in Africa (BADEA Private sector)	4,199,139	7,106,335
Islamic Development Bank (IDB)	1,222,743	1,837,962
African Development Bank (AfDB Public window)	24,324,183	31,802,988
African Development Bank (AfDB Private window)	1,854,139	5,645,636
India Exim Bank	3,927,544	6,643,333
Opec Fund for International Development	50,086,096	60,075,874
Arab Bank for Economic Development in Africa (BADEA Private sector,2023)	29,766,554	37,744,669
Islamic Corporation for Development of the private sector(ICD)	110,482,626	-
European Investment Bank	22,051,660	-
	257,990,248	161,795,029

The movements in borrowings were as follows:

	2025	2024
	Ushs '000	Ushs '000
Balance as at 1 January	161,795,029	219,022,182
Drawdowns during the year	130,529,348	-
Interest expense for the year	9,647,730	10,262,329
Principal repayments	(33,285,225)	(50,604,544)
Payment of interest	(7,949,882)	(10,542,709)
Foreign exchange (gain)/loss	(2,746,752)	(6,342,229)
	257,990,248	161,795,029

i. BADEA Loan

This represents a US Dollars 4,500,000 loan from the Arab Bank for Economic Development in Africa (BADEA) to the Government of the Republic of Uganda. The entire proceeds of the loan were lent to the Bank per a loan agreement dated 18 December 2009, with the Government of Uganda as the Guarantor of the loan. Interest is payable on the loan on the amount outstanding at a rate of 2.5% per annum. The loan is payable in 42 semi-annual instalments after a 4 year a grace period calculated from the first day of the month following the first draw down from the loan account. The loan is unsecured.

As at 31 December 2025, USD 4,336,535 (2024: USD 4,336,535) had been disbursed from the loan account.

ii. BADEA Loan Private sector

This represents a US Dollars 6,000,000 loan from the Arab Bank for Economic Development in Africa (BADEA) to Uganda Development Bank with Government of the Republic of Uganda being the guarantor under the terms and conditions specified in the Guarantee Agreement concluded between BADEA and Republic of Uganda dated 13 February 2017. The loan is to be used solely for financing expenditures

and permanent working capital of UDBL's eligible clients in the Republic of Uganda. The loan is repayable in 16 semi-annual instalments after a 2 year grace period. The loan is unsecured. Interest is payable on the interest payment date, to BADEA on the amount disbursed and outstanding from time to time during each interest period, at a rate of 6 months SOFR plus a credit adjustment spread, plus 425 basis points. The average rate in the year is 8.80%.

As at 31 December 2025, the entire loan amount had been disbursed from the loan account.

iii. Islamic Development Bank (IDB)

This represents an asset line of financing equivalent US Dollars 10,000,000 loan from the Islamic Development Bank to Uganda Development Bank Limited with Government of the Republic of Uganda being the guarantor under the terms and conditions specified in the Guarantee Agreement concluded between Islamic Development Bank and Republic of Uganda dated 18 May 2017.

For each transaction, the sale price shall be determined on the basis of the capital cost plus a mark-up of the US dollar swap rate prevailing at the time corresponding to the capital amortization period plus 135 basis points (One Hundred Thirty-Five basis points) per annum. The average US dollar swap rate is 2.33%.

The sale price shall be paid to the Bank within a period of up to eight (8) years including a gestation period not exceeding two (2) years calculated from the date of first disbursement for that transaction. The loan is secured.

The Bank had utilized USD 2,900,000 by 31 December 2025 (2024: USD 2,900,000).

iv. African Development Bank (AfDB Public window) USD 15M Line of Credit

This represents a US dollar 15,000,000 line of Credit from African Development Bank extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance. The agreement for the line of Credit was signed on 22 May 2022.

The line of credit is divided into fixed and floating components of USD 7,430,095 and USD 7,569,905, respectively. Interest on both components is payable on each interest payment date, based on the amount disbursed and outstanding during the relevant interest period.

The interest rate on the floating component is determined as the 6-month SOFR plus a credit adjustment spread, plus 80 basis points, with an average rate of 5.44% for the year. The fixed component carries a fixed interest rate of 2.13%.

UDBL is required to repay the Line of Credit in full over a period of eight (8) years after the expiration of the two-year grace period by means of sixteen (16) equal and consecutive semi-annual instalments payable on each Payment Date. The first of such instalments are payable on the first payment date which immediately follows the expiration of the grace period. It should be noted that UDBL cannot re-borrow from AfDB amounts repaid under the loan agreement.

As at 31 December 2025, the entire amount had been drawn down from the account.

v. African Development Bank (AfDB Private window) USD 5M Line of Credit

This represents a US dollars 5,000,000 line of Credit from African Development Bank extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance. The agreement for the line of Credit was signed on 7June 2022. Interest is payable on the amount disbursed and outstanding from time to time during each interest period, at a fixed rate of 5.81%.

UDBL is required to repay the Line of Credit in full over a period of eight (8) years after the expiration of the two-year grace period by means of sixteen (16) equal and consecutive semi-annual instalments payable on each payment date. The first of such instalments are payable on the first payment date which immediately follows the expiration of the grace period.

It should be noted that UDBL cannot re-borrow from AfDB amounts repaid under the loan agreement. The loan is secured.

As at 31 December 2025, the entire amount had been drawn down from the account.

vi. India Exim USD 5M Line of Credit

This represents a USD 5 million line of Credit from Exim Bank to finance import of goods and services from India from time to time. As per Agreement between UDBL and EXIM, signed on 08 October 2018, the Ministry of Finance, Government of Republic of Uganda fully guaranteed the line of Credit.

Interest is payable on the interest payment date, on the amount disbursed and outstanding from time to time during each interest period, at a rate of 6 months SOFR plus a credit adjustment spread, plus 300 basis points. The average rate in the year is 7.75%.

As at 31 December 2025, the entire amount had been drawn down from the account.

vii. The OPEC Fund for International Development (OFID) USD 20M Line of Credit

This represents a US dollar 20,000,000 line of Credit from the OPEC Fund for International Development extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance, Planning, and Economic Development. The agreement for the line of Credit was signed on 18 November 2022.

Interest is payable on the amount disbursed and outstanding from time to time during each interest period, at a fixed rate of 5.0%.

UDBL is required to repay the Line of Credit in full over a period of eight (8) years after the expiration of the two-year grace period. Repayment shall commence immediately following the end of the grace period and shall be effected in sixteen (16) semi-annual instalments. It should be noted that UDBL cannot re-borrow from OFID amounts repaid under the loan agreement. The loan is secured by a sovereign guarantee.

As of 31 December 2025, the entire amount had been drawn down from the account.

viii. Arab Bank for Economic Development in Africa (BADEA) USD 10M Private Sector Line of Credit

This represents a US dollar 10,000,000 line of Credit from BADEA extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance, Planning, and Economic Development. The agreement for the line of Credit was signed on 05th October 2022.

Interest is payable on the amount disbursed and outstanding from time to time during each interest period, at a fixed rate of 6.5%.

UDBL is required to repay the Line of Credit in full over a period of seven (7) years after the expiration of the two-year grace period. Repayment shall commence immediately following the end of the Grace Period and shall be affected in ten (10) semi-annual instalments. It should be noted that UDBL cannot re-borrow from BADEA amounts repaid under the loan agreement. The loan is secured by a sovereign guarantee.

As of 31 December 2025, the entire amount had been drawn down from the account.

ix. Islamic Corporation for Development of the private sector (ICD) USD 30M.

This represents a US dollar 30,000,000 line of Credit from the Islamic Corporation for Development of the private sector (ICD) extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance, Planning, and Economic Development. The agreement for the line of Credit was signed on the 21st May 2025.

The interest rate on the floating component is determined as the floating 6-month SOFR plus 280 basis points, with an average rate of 6.64% for the year.

UDBL is required to repay the Line of Credit in full over a period of Seven (7) years after the expiration of the One-year grace period by means of two (2) semi-annual interest instalments payable on each Payment Date. Followed by Twelve (12) semi annual interest and principal repayments.

As at 31 December 2025, the entire amount had been drawn down from the account

x. European Investment Bank (EIB) EUR 15M.

This represents a EUR 15,000,000 line of Credit from the European Investment Bank (EIB) extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance, Planning, and Economic Development. The Reinstatement and Amendment agreement for the line of Credit was signed on the 18th September 2024.

Interest is payable on the amount disbursed and outstanding from time to time during each interest period, at a fixed rate of 4.11%.

As at 31 December 2025, UDBL had drawdown EUR 5,154,909 with a balance of EUR 9,845,091 to be drawdown in 2026

Below is a table showing the total commitment per loan versus amount drawn down to date;

Loan	Total commitment (USD)	Amount drawn down (USD)
BADEA Loan 632	4,500,000	4,336,525
BADEA Loan Private sector (Line of credit 1)	6,000,000	6,000,000
Islamic Development Bank	10,000,000	2,900,000
African Development Bank	15,000,000	15,000,000
African Development Bank (AfDB private window)	5,000,000	5,000,000
India Exim	5,000,000	5,000,000
OPEC Fund for International Development	20,000,000	20,000,000
BADEA Loan Private sector (Line of credit 2)	10,000,000	10,000,000
Islamic Corporation for Development of the private sector(ICD)	30,000,000	30,000,000

Loan	Total commitment (EUR)	Amount drawn down (EUR)
BADEA Loan 632	15,000,000	5,154,909

The fair values of the borrowings above approximate the carrying amounts.

33. EUROPEAN UNION GRANT

	2025	2024
	Ushs '000	Ushs '000
Balance as at 1 January	4,287,146	8,568,264
Drawn down during the year	-	-
Disbursements from grant	(3,258,779)	(2,819,136)
Expenses relating to the grant	(248,880)	(1,461,982)
Balance as at 31 December	<u>779,487</u>	<u>4,287,146</u>

Uganda Development Bank Limited (UDBL) in partnership with European Union (EU) allocated funds in form of a grant attached to a loan (also known as 'facility') to enable the sector soar through the hardship of COVID-19. The facility was intended to stimulate businesses operating in the tourism sector, which was been heavily impacted by COVID-19 by providing a grant and soft loan with flexible terms aligned to the sector needs. A total approximate pool of Ushs 61.8 billion (Ushs 40 billion contribution by Uganda Development Bank and Ushs 21.8 billion through the EU Grant) was set aside for this intervention.

The facility will have the following components and additional benefits:

- i. A non-repayable grant attached to the loan based on the number of staff maintained in the company during the two years' period that will benefit from this intervention in comparison with the number of staff in the company before COVID-19 pandemic (28 February 2024).
- ii. Concessional loan interest rates not exceeding 12%; however, the effective cost of the facility to the borrower shall not exceed 8%.
- iii. Extended working capital loan tenor of up to 5 years inclusive of a 2 years' grace period.

The beneficiaries of the grant include business entities under Uganda Hotel Owners Association (UHOA) and Association of Uganda Tour Operators (AUTO).

The grant shall be accounted for as a liability in accordance with IAS 20.

As at 31 December 2025, EUR 3,939,928 equivalent to Ushs 16.51 billion (2024: EUR 3,939,928) had been received from European Union.

34. UNCDF FUND (UN CAPITAL DEVELOPMENT FUND)

	2025	2024
	Ushs '000	Ushs '000
Balance as at 1 January	7,992,915	7,585,139
Drawn down during the year	-	-
Agency costs	(224,194)	(246,082)
Interest on loans disbursed out of the fund	<u>571,906</u>	<u>653,858</u>
Balance as at 31 December	<u>8,340,627</u>	<u>7,992,915</u>

UDBL signed a Memorandum of Understanding with UNCDF which defines the conditions for the establishment, financing and management of disbursements to UDBL for the Support to Agricultural Revitalization and Transformation (START) facility through concessional loans, including, inter alia, conditions pertaining to financial control, reporting and auditing arrangements. The maximum contribution of UNCDF to START concessional loan is up to EUR 2,000,000 (Two million Euros) for a period of four years. The annual drawdowns are EUR 500,000 (Five hundred thousand Euros) per year based on the successful projects financed.

The beneficiaries of loans from the line of credit should be small and medium enterprises (SMEs) i.e. enterprises that employ between 5 to 100 employees with total assets between Ush 10 million but not exceeding 360 million. Loans from the line of credit to beneficiaries must not exceed EUR 100,000.

As per MOU, UDBL may charge 1 % p.a. as agency fees on the outstanding loan book in addition to 3.8% p.a. as administrative fees on the outstanding loan book. The fees are computed and charged monthly. The facilities from the line of credit are charged interest at a minimum rate of 10% p.a. and a maximum of 12% p.a.

UDBL is then required to capitalise amounts of interest over and above the agency and administrative fees.

As at 31 December 2025, Ushs 6,179,489,420 had been disbursed from the fund (2024: Ushs 6,179,489,420)

The fair value of the UNCDF fund approximates the carrying amount.

35. SHARE CAPITAL

	2025	2024
	Ushs '000	Ushs '000
Authorized:		
At 1 January	2,000,000,000	2,000,000,000
At 31 December	2,000,000,000	2,000,000,000
At 1 January	878,359,004	878,359,004
Transfers from Government of Uganda Contributions	328,713,734	-
At 31 December	1,207,072,738	878,359,004

The Bank’s authorised share capital is Ushs 2 trillion (2024: Ushs 2 trillion) divided into 2 billion shares of Ushs 1,000 each. As at 31 December 2025, the Bank had issued 1,207 million shares (2024: 878 million). All issued shares are fully paid up.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and other general meetings of the company.

36. GOVERNMENT OF UGANDA CAPITAL CONTRIBUTIONS

	2025	2024
	Ushs '000	Ushs '000
At 1 January	328,713,734	248,049,781
Transfers to share capital	(328,713,734)	-
Contributions during the year	311,215,913	80,663,953
At 31 December	311,215,913	328,713,734

37. KUWAIT SPECIAL FUND

	2025	2024
	Ushs '000	Ushs '000
Equity		
Balance as at 1 January	36,715,059	35,349,112
Capitalization of interest income from Kuwait fund facilities	957,591	1,365,947
Balance as at 31 December	37,672,650	36,715,059

This represented a grant of US Dollars 7 million from Kuwait to the Government of Uganda that was used in the creation of a Trust Fund in Uganda Development Bank Limited (“the Bank”). The Bank was required to establish in its books a special account to which the grant as well as income accruing as a result of the investment and utilization of the grant was to be credited.

The purpose of the fund was to finance farming and lending to small and micro business activities for the production of food and provision of related support services, including, without being limited to, food processing, storage and marketing. For the period to 13 October 2022, the Bank treated the grant as a liability as it represented funds managed in trust on behalf of the Government of Uganda.

Effective 14 October 2022, Kuwait approved the transfer of the Kuwait Special Fund account from the Bank’s liabilities to equity as the amounts are not payable/refundable.

The weighted effective interest rate on loans disbursed as at 31 December 2025 was 10% (2024: 10%). The fair value of the Kuwait special fund approximates the carrying amount.

38. ASSET REVALUATION RESERVE

	2025	2024
	Ushs '000	Ushs '000
As 1 January	279,928	2,563,242
Loss on revaluation	-	(2,283,314)
As at 31 December	279,928	279,928

A revaluation of the freehold land and Buildings asset categories is performed every after 3 years. The last revaluation was done for the year ended 31 December 2024. The revaluation was carried out by a professional valuer by the names of Reitis Valuers and Surveyors (Chartered Surveyors), independent professional valuers that are not related to the Bank.

The freehold land and buildings were revalued on the basis of depreciated replacement cost reflecting prevailing market conditions at the time of valuation.

39. RETAINED EARNINGS

	2025	2024
	Ushs '000	Ushs '000
At 1 January	267,999,662	211,548,989
Interest income on facilities under the Kuwait Fund	(957,591)	(1,365,947)
Total comprehensive income for the year	63,417,156	57,816,620
At 31 December	330,459,227	267,999,662

40. COMMITMENTS

Loan Commitments

To meet the financial needs of the customers, the Bank enters various irrevocable commitments. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

	2025	2024
	Ushs '000	Ushs '000
Loans approved but not disbursed at year end	127,254,868	158,872,746

41. CONTINGENT LIABILITIES

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent in its operations. As a result, the Bank is involved in various litigation, arbitration and regulatory proceedings in Uganda in the ordinary course of its business. The Bank has formal controls and policies for managing legal claims. Based on professional legal advice, the Bank provides and/or discloses amounts in accordance with its accounting policies described in Note 2. At year end, the Bank had several unresolved legal claims. The Bank’s legal advisors’ opinion is that it is possible, but not probable, that the court rulings may be in favour of Plaintiffs. Accordingly, no provision for any claims has been made in these financial statements. The possible outflow which could result from such litigation, based on the current status of the legal proceedings, is estimated to be no more than Ushs 2.28 billion (2024: Ushs 2.89 billion), while the timing of the outflow is uncertain.

42. ASSETS PLEDGED AS SECURITY

As at 31 December 2025, there were no assets pledged to secure liabilities and there were no secured liabilities outstanding.

43. RELATED PARTY TRANSACTIONS

The Bank is controlled by the Government of Uganda which owns 100% of the share capital of the Bank. The main transaction between the Bank and the Government of Uganda relates to capital contributions.

In the normal course of business, the Bank carries out various transactions with related parties. The relevant transactions with related parties are shown below:

	2025	2024
	Ushs '000	Ushs '000
GoU capital contributions (note 3)	311,215,913	80,663,954
Staff loans: interest earned	1,904,176	1,645,219
Staff loans: repayments	7,015,102	4,967,688
Staff loans: disbursements	7,736,758	5,096,992
Outstanding balances		
Staff loans (note 21)	14,217,673	10,884,779
Key management compenization		
Salaries	3,209,236	3,209,236
NSSF Company contributions	320,924	320,924
Service gratuity	882,540	882,540
	<u>4,412,700</u>	<u>4,412,700</u>
Directors' remuneration	<u>795,635</u>	<u>607,512</u>

44. CAPITAL MANAGEMENT

The primary objective of the Bank's capital management policy is to ensure that the Bank maintains healthy capital ratios in order to support its business and to maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. The Bank's Board Audit and Risk committee is charged with the responsibility of assessing the adequacy of its capital and on a quarterly basis assesses the capital requirements of the Bank.

The total capital of the Bank is shown in the table below:

	2025	2024
	Ushs '000	Ushs '000
Issued capital	1,207,072,738	878,359,004
Asset revaluation reserve	279,928	279,928
GOU capital contribution	311,215,913	328,713,734
Kuwait Special Fund	37,672,650	36,715,059
Retained earnings	<u>330,459,227</u>	<u>267,999,663</u>
	<u>1,886,700,456</u>	<u>1,512,067,388</u>

During the year, the Bank got additional capital contributions from Government of Uganda of Ushs 311 billion (2024: Ushs 81 billion).

Effective 14 October 2022, Kuwait approved the transfer of the Kuwait Special Fund account from the Bank's liabilities' section to the equity section.

45. NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

		2025	2024
OPERATING ACTIVITIES	Note	Ushs '000	Ushs '000
Profit before taxation		91,646,087	73,192,165
Adjustments for:			
Unrealised foreign exchange loss/(gain)	10	(1,002,861)	3,842,780
Depreciation and amortization	13	3,254,588	1,754,030
Impairment loss on financial assets	20(e)	18,485,865	24,004,414
Fair value loss on equity investments.	23	26,479	40,235
Interest on leases	9	16,087	36,197
Interest expense on borrowings	9	9,647,730	10,262,329
Interest income on staff and customer loans and advances	8	<u>(151,022,949)</u>	<u>(144,986,582)</u>
Operating cash flows before changes in operating assets and liabilities		<u>(28,948,974)</u>	<u>(31,854,432)</u>

The following is an analysis of interest income on staff and customer loans and advances reconciling the interest received during the year.

	2025	2024
	Ushs '000	Ushs '000
Interest receivable at 01 January	108,886,025	63,735,452
Interest earned on customer loans and advances (Note 8)	149,118,773	143,341,363
Interest earned on staff loans during the year (Note 8)	1,904,176	1,645,218
Interest receivable at 31 December	<u>(140,437,277)</u>	<u>(99,836,009)</u>
Interest received	<u>119,471,697</u>	<u>108,886,025</u>

46. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Borrowings	Amounts due to Bank of Uganda	Contribution from GoU	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
31 December 2025				
Balance as at 1 January 2025	161,795,029	9,569,258	328,713,735	500,078,022
Changes in financing cash flows				
Proceeds from Debt	130,529,348	-	-	130,529,348
Repayments of Debt	(41,235,107)	(4,383,219)	-	(45,618,326)
Transfer to share capital			(328,713,734)	(328,713,734)
Capital contributions	-	-	311,215,913	311,215,913
Total changes from financing cash flows	251,089,270	5,186,039	311,215,913	567,491,222
Other changes				
Interest expense	9,647,730	-	-	9,647,730
Foreign exchange gains	<u>(2,746,752)</u>	-	-	<u>(2,746,752)</u>
Total liability related other changes	<u>6,900,978</u>	-	-	<u>6,900,978</u>
Balance as at 31 December 2025	<u>257,990,248</u>	<u>5,186,039</u>	<u>311,215,913</u>	<u>574,392,200</u>

	Borrowings	Amounts due to Bank of Uganda	Contribution from GoU	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
31 December 2024				
Balance as at 1 January 2024	219,022,182	8,708,348	248,049,781	475,780,311
Changes in financing cash flows				
Proceeds from Debt	-	2,439,641	-	2,439,641
Repayments of Debt	(61,147,253)	(1,578,731)	-	(62,725,984)
Capital contributions	-	-	80,663,954	80,663,954
Total changes from financing cash flows	157,874,929	9,569,258	328,713,735	496,157,922
Other changes				
Interest expense	10,262,329	-	-	10,262,329
Foreign exchange gains	(6,342,229)	-	-	(6,342,229)
Total liability related other changes	<u>3,920,100</u>	<u>-</u>	<u>-</u>	<u>3,920,100</u>
Balance as at 31 December 2024	161,795,029	9,569,258	328,713,735	500,078,022

47. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that require adjustment in the financial statements.



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